

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2014





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the London City School District, Madison County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 9, 2015

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**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC
December 29, 2014

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

This discussion and analysis of the London City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements, and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position of governmental activities increased \$1.7 million.
- Total long-term liabilities of governmental activities decreased \$1.1 million.
- General revenues accounted for \$21.7 million. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4.0 million. Total revenues equaled \$25.7 million.
- The District had \$24.0 million in expenses related to governmental activities; only \$4.0 million of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants, entitlements, property taxes, and income taxes) of \$21.7 million were adequate to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2014?"

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

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

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Funds - Proprietary funds use the accrual basis of accounting; the same as on the entity-wide statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various funds. The District uses an internal service fund to account for dental claims and premiums. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

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

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The District as a Whole

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

Table 1 provides a summary of the District's net position for fiscal year 2014 and fiscal year 2013:

District Net Position		
Governmental Activities		
	2014	2013
Current and Other Assets	\$ 19,065,472	\$ 16,632,287
Capital Assets, Net	51,474,637	53,323,346
Total Assets	70,540,109	69,955,633
Deferred Outflows of Resources	-	162,293
Current Liabilities	2,561,107	2,657,050
Long-Term Liabilities	18,905,191	19,986,788
Total Liabilities	21,466,298	22,643,838
Deferred Inflows of Resources	4,582,282	4,679,913
Net Position:		
Net Investment in Capital Assets	36,035,338	36,552,050
Restricted	4,936,906	4,276,381
Unrestricted	3,519,285	1,965,744
Total Net Position	\$ 44,491,529	\$ 42,794,175

Capital Assets decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of depreciation expense totaling \$2.1 million.

Long-Term Liabilities decreased significantly in comparison with the prior fiscal year. This decrease represents the amount in which debt principal payments made during the fiscal year exceeded new debt issuances.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal years 2014 and 2013:

Change in Net Position Governmental Activities		
	2014	2013
Revenues:		
Program Revenues		
Charges for Services and Sales	\$ 2,269,563	\$ 2,250,367
Operating Grants and Contributions	1,748,806	1,935,879
Total Program Revenues	4,018,369	4,186,246
General Revenues		
Property Taxes	8,276,925	8,230,138
Income Taxes	3,197,082	3,605,137
Payments in Lieu of Taxes	311,883	140,658
Grants and Entitlements	9,624,998	8,719,985
Interest	3,410	5,167
Other Revenue	246,142	94,264
Total General Revenue	21,660,440	20,795,349
Total Revenues	25,678,809	24,981,595
Expenses:		
Program Expenses		
Instruction	14,155,117	14,003,453
Support Services	7,360,299	7,281,135
Non-Instructional	787,617	876,498
Extra Curricular Activities	694,619	594,627
Interest and Fiscal Charges	983,803	1,034,579
Total Expenses	23,981,455	23,790,292
Changes in Net Position	1,697,354	1,191,303
Net Position at Beginning of Year	42,794,175	41,602,872
Net Position at End of Year	\$ 44,491,529	\$ 42,794,175

Operating Grants and Contributions decreased slightly in comparison with the prior fiscal year. This decrease is the result of certain funding ending or being reduced from the Ohio Department of Education, most notably, a decrease in Race to the Top funding.

The slight increase in Program Expenses reflects inflationary cost increases.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The following table indicates the total cost of services and the net cost of services for governmental activities. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2014 to 2013 follows:

Program Expenses	Fiscal Year 2014		Fiscal Year 2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 14,155,117	\$ 11,723,228	\$ 14,003,453	\$ 11,606,726
Support Services	7,360,299	6,745,879	7,281,135	6,523,164
Non-Instructional	787,617	(22,984)	876,498	30,025
Extra Curricular Activities	694,619	533,160	594,627	409,552
Interest and Fiscal Charges	983,803	983,803	1,034,579	1,034,579
Total Expenses	<u>\$ 23,981,455</u>	<u>\$ 19,963,086</u>	<u>\$ 23,790,292</u>	<u>\$ 19,604,046</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Program revenues offset only 17 percent of expenses, relying on 83 percent support from general revenues. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

Governmental Funds

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

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$11.1 million, an increase of \$2.7 million in comparison with the prior year. Of this amount, approximately \$6.1 million constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it is; (1) not in spendable form (\$14,658); (2) restricted for specific purposes (\$4.8 million); (3) committed for specific purposes (\$205,378); or (4) assigned to specific purposes (\$41,207).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General Fund	\$ 6,348,310	\$ 4,735,955	\$ 1,612,355
Debt Service Fund	3,004,786	3,010,670	(5,884)
Other Governmental Funds	1,777,649	715,109	1,062,540
Total	<u>\$ 11,130,745</u>	<u>\$ 8,461,734</u>	<u>\$ 2,669,011</u>

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6.1 million, while total fund balance was \$6.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33 percent of total general fund expenditures, while total fund balance represents 35 percent of that same amount.

The Debt Service fund balance decreased \$5,884, during the current fiscal year. This decrease represents the amount in which debt service disbursements exceeded property tax and related receipts during the fiscal year.

General Fund – Budget Highlights

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

During fiscal year 2014, the District revised its budget as it attempted to deal with unexpected changes in expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 15, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, original estimated revenues were \$19.4 million and final estimated revenues were increased to \$20.2 million. The variance between final estimated revenues and actual revenues was insignificant. Original estimated expenditures were \$18.2 million and final estimated expenditures were increased slightly to \$18.4 million. The variance between final estimated expenditures and actual expenditures was insignificant.

Capital Assets

At fiscal year-end, the District had \$51.5 million (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, equipment and fixtures, vehicles, and textbooks and software, a decrease of \$1.8 million in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation of \$2.1 million and disposals of \$355,985 exceeded current year additions (\$653,451).

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

Debt

At fiscal year-end, the District's debt totaled \$18.0 million, a decrease of \$1.1 million in comparison with the prior fiscal year. This decrease primarily represents the amount in which current year principal reductions, and amortization totaling \$2.6 million, exceeded current year debt issues and capital accretion, totaling \$1.4 million.

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

Contacting the District's Financial Management

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

London Academy is a legally separate not-for-profit organization served by a self-appointed five member board and is reflected as a discretely presented component unit of the District. London Academy operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from London Academy, 40 South Walnut Street, London, Ohio 43140.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	Primary Government Governmental Activities	Component Unit London Academy
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 7,668,554	\$ -
Cash and Cash Equivalents	-	1,069,205
Property Taxes Receivable	8,761,739	-
Income Taxes Receivable	1,366,378	-
Revenue in Lieu of Taxes Receivable	94,700	-
Intergovernmental Receivable	152,168	15,001
Accounts Receivable	74,426	-
Materials and Supplies Inventory	8,412	-
Prepaid Items	14,658	-
Due from Component Unit	924,437	-
Non-Depreciable Capital Assets	665,130	-
Depreciable Capital Assets, Net	50,809,507	2,030
Total Assets	70,540,109	1,086,236
Liabilities:		
Accounts Payable	21,781	5,170
Contracts Payable	130,912	-
Accrued Wages and Benefits	1,894,065	-
Intergovernmental Payable	432,008	-
Retainage Payable	24,746	-
Unearned Revenue	12,933	-
Accrued Interest Payable	40,539	-
Claims Payable	4,123	-
Due to Primary Government	-	924,437
Long-Term Liabilities:		
Due within One Year	2,652,426	52,317
Due in More Than One Year	16,252,765	425,077
Total Liabilities	21,466,298	1,407,001
Deferred Inflows of Resources:		
Property and Other Taxes	4,582,282	-
Net Position:		
Net Investment Capital Assets	36,035,338	2,030
Restricted for:		
Debt Service	3,119,850	-
Permanent Improvement	480,223	-
Capital Projects	278,006	-
Food Services	167,868	-
Classroom Facilities Maintenance	782,691	-
Student Activities	33,932	-
State and Federal Grants	74,336	-
Unrestricted	3,519,285	(322,795)
Total Net Position	\$ 44,491,529	\$ (320,765)

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	London Academy
Governmental Activities					
Instruction					
Regular	\$ 10,398,821	\$ 1,269,136	\$ -	\$ (9,129,685)	\$ -
Special	3,585,473	389,699	760,086	(2,435,688)	-
Vocational	104,326	4,536	-	(99,790)	-
Adult/Continuing	49,572	1,760	-	(47,812)	-
Other	16,925	593	6,079	(10,253)	-
Support Services					
Pupils	919,693	36,588	89,906	(793,199)	-
Instructional Staff	601,570	837	288,570	(312,163)	-
Board of Education	106,165	4,428	-	(101,737)	-
Administration	1,612,305	132,969	-	(1,479,336)	-
Fiscal	635,739	19,643	-	(616,096)	-
Business	173,558	10,197	-	(163,361)	-
Operation and Maintenance of Plant	2,214,600	931	-	(2,213,669)	-
Pupil Transportation	937,561	94	-	(937,467)	-
Central	159,108	30,257	-	(128,851)	-
Non-instructional Services					
Food Service	669,171	206,436	459,201	(3,534)	-
Other	118,446	-	144,964	26,518	-
Extra Curricular Activities	694,619	161,459	-	(533,160)	-
Interest and Fiscal Charges	983,803	-	-	(983,803)	-
Total Governmental Activities	\$ 23,981,455	\$ 2,269,563	\$ 1,748,806	(19,963,086)	-
Component Unit					
London Academy	\$ 2,235,453	\$ -	\$ 1,719,350	-	(516,103)
General Revenues:					
Property Taxes Levied for:					
General Purposes				5,628,324	-
Debt Service				2,501,481	-
Permanent Improvements				147,120	-
Income Taxes				3,197,082	-
Revenue in Lieu of Taxes				311,883	-
Unrestricted Grants and Entitlements				9,624,998	-
Investment Earnings				3,410	77
Other General Revenues				246,142	-
Total General Revenues				21,660,440	77
Change in Net Position				1,697,354	(516,026)
Net Position Beginning of Year				42,794,175	195,261
Net Position End of Year				\$ 44,491,529	\$ (320,765)

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014

	General	Debt Service	Other Governmenta Funds	Total Governmenta Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,825,118	\$ 1,867,365	\$ 1,966,228	\$ 7,658,711
Receivables:				
Property Taxes	6,116,136	2,645,603	-	8,761,739
Revenue in Lieu of Taxes	94,700	-	-	94,700
Income Taxes	1,366,378	-	-	1,366,378
Intergovernmental	6,585	-	145,583	152,168
Accounts	21,236	-	53,190	74,426
Interfund	15,632	-	-	15,632
Material and Supplies Inventory	-	-	8,412	8,412
Prepaid Items	14,658	-	-	14,658
Due From Component Unit	924,437	-	-	924,437
Total Assets	\$ 12,384,880	\$ 4,512,968	\$ 2,173,413	\$ 19,071,261
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 17,246	\$ -	\$ 4,535	\$ 21,781
Contracts Payable	-	-	130,912	130,912
Accrued Wages and Benefits Payable	1,752,661	-	141,404	1,894,065
Intergovernmental Payable	386,927	-	45,081	432,008
Interfund Payable	-	-	15,632	15,632
Retainage Payable	-	-	24,746	24,746
Total Liabilities	2,156,834	-	362,310	2,519,144
Deferred Inflows of Resources:				
Property and Other Taxes	3,229,703	1,352,579	-	4,582,282
Unavailable Revenue	650,033	155,603	33,454	839,090
Total Deferred Inflows of Resources	3,879,736	1,508,182	33,454	5,421,372
Fund Balances:				
Nonspendable:				
Prepaid Items	14,658	-	-	14,658
Restricted for:				
Debt Service	-	3,004,786	-	3,004,786
Permanent Improvement	-	-	480,223	480,223
Capital Projects	-	-	258,787	258,787
Food Services	-	-	167,868	167,868
Classroom Facilities Maintenance	-	-	782,691	782,691
Student Activities	-	-	33,932	33,932
State and Federal Grants	-	-	60,101	60,101
Committed for:				
Termination Benefits	205,378	-	-	205,378
Assigned for:				
Public School Support	40,282	-	-	40,282
Contracts	925	-	-	925
Unassigned:	6,087,067	-	(5,953)	6,081,114
Total Fund Balances	6,348,310	3,004,786	1,777,649	11,130,745
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,384,880	\$ 4,512,968	\$ 2,173,413	\$ 19,071,261

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2014

Total Governmental Fund Balances	\$ 11,130,745
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,474,637
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.	
Property Taxes Receivable	508,239
Income Taxes Receivable	252,951
Intergovernmental Receivable	33,454
Accounts Receivable	44,446
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(7,213)
In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(40,539)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes Payable	(957,675)
Bonds Payable	(13,639,864)
Accretion on Bonds	(2,559,411)
Premium on Debt Issue	(841,760)
Compensated Absence Payable	(906,481)
	(17,947,516)
 Net Position of Governmental Activities	 <u><u>\$ 44,491,529</u></u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 5,599,209	\$ 2,487,023	\$ 147,120	\$ 8,233,352
Revenue in Lieu of Taxes	76,883	-	235,000	311,883
Income Taxes	3,142,243	-	-	3,142,243
Intergovernmental	9,151,032	473,966	1,744,905	11,369,903
Interest	3,198	-	212	3,410
Tuition and Fees	500,770	-	-	500,770
Extracurricular Activities	14,028	-	147,513	161,541
Customer Sales and Services	1,472,338	-	206,436	1,678,774
Donations and Contributions	13,745	-	40,212	53,957
All Other Revenue	47,317	-	115,223	162,540
Total Revenues	<u>20,020,763</u>	<u>2,960,989</u>	<u>2,636,621</u>	<u>25,618,373</u>
Expenditures:				
Instruction:				
Regular	8,579,574	-	-	8,579,574
Special	2,779,727	-	764,520	3,544,247
Vocational	104,311	-	-	104,311
Adult/Continuing	40,465	-	949	41,414
Other	10,812	-	6,113	16,925
Support services:				
Pupils	833,662	-	90,477	924,139
Instructional Staff	319,241	-	287,774	607,015
Board of Education	106,165	-	-	106,165
Administration	1,560,872	-	836	1,561,708
Fiscal	573,858	62,543	-	636,401
Business	173,558	-	-	173,558
Operation and Maintenance of Plant	1,680,247	-	90,480	1,770,727
Pupil Transportation	888,007	-	39,463	927,470
Central	179,964	-	-	179,964
Non-instructional Services:				
Food Service	-	-	639,475	639,475
Other	19	-	106,709	106,728
Extracurricular Activities	358,492	-	220,392	578,884
Capital Outlay	-	-	527,227	527,227
Debt service:				
Principal	-	2,395,000	69,515	2,464,515
Interest and Fiscal Charges	-	529,264	1,619	530,883
Total Expenditures	<u>18,188,974</u>	<u>2,986,807</u>	<u>2,845,549</u>	<u>24,021,330</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,831,789	(25,818)	(208,928)	1,597,043
Other Financing Sources (Uses):				
Insurance Proceeds	-	-	60,000	60,000
Issuance of Debt	-	-	1,011,968	1,011,968
Transfers In	-	19,934	199,500	219,434
Transfers Out	(219,434)	-	-	(219,434)
Total Other Financing Sources (Uses)	<u>(219,434)</u>	<u>19,934</u>	<u>1,271,468</u>	<u>1,071,968</u>
Net Change in Fund Balances	1,612,355	(5,884)	1,062,540	2,669,011
Fund Balance Beginning of Year	4,735,955	3,010,670	715,109	8,461,734
Fund Balance End of Year	<u>\$ 6,348,310</u>	<u>\$ 3,004,786</u>	<u>\$ 1,777,649</u>	<u>\$ 11,130,745</u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ 2,669,011**

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

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

Capital Outlay	653,451
Depreciation	(2,146,175)

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

Disposals	(355,985)
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental

(7,213)

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

Property Taxes	43,573
Income Taxes	54,839
Revenue in Lieu of Taxes	(29,600)
Intergovernmental	3,901
Customer Sales and Services	(72,277)

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

Principal Payments	2,464,515
Proceeds from the Issuance of Debt	(1,011,968)
Amortization of Bond Premium	125,177
Amortization of Loss on Refunding	(162,293)
Accretion of Capital Appreciation Bonds	(422,683)
Accrued Interest	6,879

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

Increase in Compensated Absences	(115,798)
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Change in Net Position of Governmental Activities **\$ 1,697,354**

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 5,796,249	\$ 5,796,251	\$ 5,689,971	\$ (106,280)
Revenue in Lieu of Taxes	64,700	76,883	76,883	-
Income Taxes	3,192,416	3,590,823	3,590,587	(236)
Intergovernmental	8,845,169	9,105,733	9,144,447	38,714
Interest	5,047	5,047	3,198	(1,849)
Tuition and Fees	404,196	499,837	486,467	(13,370)
Customer Sales and Services	742,900	757,900	62,187	(695,713)
All Other Revenue	57,753	110,691	65,140	(45,551)
Total Revenues	19,108,430	19,943,165	19,118,880	(824,285)
Expenditures:				
Instruction:				
Regular	10,393,991	8,563,053	8,469,665	93,388
Special	1,412,735	2,528,193	2,497,922	30,271
Vocational	94,700	105,120	104,118	1,002
Adult/Continuing	41,699	39,469	38,548	921
Other	71,798	12,861	10,408	2,453
Support services:				
Pupils	748,180	898,423	818,533	79,890
Instructional Staff	561,866	422,164	401,285	20,879
Board of Education	55,050	112,742	102,115	10,627
Administration	960,525	1,445,068	1,418,286	26,782
Fiscal	474,935	565,310	553,435	11,875
Business	175,391	167,459	164,480	2,979
Operation and Maintenance of Plant	1,542,761	1,781,761	1,691,599	90,162
Pupil Transportation	820,259	931,224	884,924	46,300
Central	379,200	157,086	153,912	3,174
Extracurricular Activities	207,100	305,778	300,208	5,570
Total Expenditures	17,940,190	18,035,711	17,609,438	426,273
Excess of Revenues Over (Under) Expenditures	1,168,240	1,907,454	1,509,442	(398,012)
Other Financing Sources (Uses):				
Transfers Out	(150,000)	(368,000)	(367,554)	446
Advances In	300,000	300,000	300,836	836
Advances Out	(127,750)	(6,431)	(15,882)	(9,451)
Total Other Financing Sources (Uses)	22,250	(74,431)	(82,600)	(8,169)
Net Change in Fund Balance	1,190,490	1,833,023	1,426,842	(406,181)
Fund Balances at Beginning of Year	2,141,174	2,141,174	2,141,174	-
Prior Year Encumbrances Appropriated	9,089	9,089	9,089	-
Fund Balances at End of Year	\$ 3,340,753	\$ 3,983,286	\$ 3,577,105	\$ (406,181)

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Current Assets:	
Cash and Cash Equivalents	\$ 9,843
Total Current Assets	9,843
Total Assets	9,843
Current Liabilities:	
Claims Payable	4,123
Unearned Revenue	12,933
Total Current Liabilities	17,056
Total Liabilities	17,056
Net Position:	
Unrestricted	(7,213)
Total Net Position	\$ (7,213)

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 116,722
Total Operating Revenues	<u>116,722</u>
Operating Expenses:	
Purchased Services	19,553
Claims	104,382
Total Operating Expenses	<u>123,935</u>
Change in Fund Net Position and Operating Income	(7,213)
Net Position Beginning of Year	-
Net Position End of Year	<u>\$ (7,213)</u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
	Fund
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 129,655
Cash Payments for Contract Services	(19,553)
Cash Payments for Claims	(100,259)
Net Cash Provided by Operating Activities	9,843
 Net Increase in Cash and Cash Equivalents	 9,843
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	9,843
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	(7,213)
 Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Claims Payable	4,123
Unearned Revenue	12,933
Net Cash Provided by Operating Activities	\$ 9,843

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
AGENCY FUND
AS OF JUNE 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ -	\$ 75,734
Total Assets	-	75,734
Liabilities		
Accounts Payable	-	58
Due to Students	-	71,125
Due to Others	250	4,551
Total Liabilities	250	75,734
Net Position		
Held in Trust for Scholarships	\$ (250)	

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
Additions:	
Interest	\$ 28
Total Additions	28
 Deductions:	
Scholarships Awarded	41,227
Total Deductions	41,227
 Chang in Net Position	 (41,199)
 Net Position at Beginning of Year	 40,949
Net Position at End of Year	\$ (250)

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District serves an area of approximately 54 square miles. The District is located in Madison County and encompasses all of the City of London and portions of Deer Creek, Somerford, and Union Townships. It is staffed by 77 non-certificated employees and 150 certificated employees who provide services to 2,100 students. The District currently operates two instructional buildings and one bus garage.

Reporting Entity

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

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

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

Discretely Presented Component Unit

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

London Academy

London Academy (the “Academy”) is a legally separate not-for-profit organization served by a self-appointed five member board. The Academy is reflected as a discretely presented component unit of the District. The Academy, under contractual agreement with the District, provides comprehensive educational programs of high quality, tied to State and national standards, which can be delivered to students in the ninth through twelfth grade populations entirely through distance learning technologies. It is operated in cooperation with the District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses, and others, including home schooled students. London Academy operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from London Academy, 40 South Walnut Street, London, Ohio 43140.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Disclosures related to the discretely presented component unit are presented in Note 22.

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

Jointly Governed Organizations:

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

Public Entity Shared Risk Pool:

Schools of Ohio Risk Sharing Authority

Insurance Purchasing Pool:

Ohio SchoolComp Workers' Compensation Group Rating Plan

Related Organization:

London Public Library

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

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

Internal Service Fund

The Internal Service Fund is used to account for money received from other funds as payment for providing dental insurance. Payments are made to a third party administrator for claims payments, claims administration and stop-loss coverage.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for services. Operating expenses for internal service fund includes the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. Deferred outflows of resources include deferred charges on refundings. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District had no deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental revenues, and interest income. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

During fiscal year 2014, the District invested in a United States Treasury money market fund which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$3,198.

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

Interfund Balances

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

Inventory

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

Capital Assets

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the number of years an employee has been with the District. The entire compensated absences liability is reported on the government-wide financial statements.

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures/expenses when the debt is issued. Accretion on the capital appreciation bonds is not reported.

Accrued Liabilities and Long-Term Obligations

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Unearned Revenue

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue.

Budgetary Process

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

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

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

Internal Activity

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Estimates

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

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2014, the following funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Title I	\$ 5,953

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

6. Transfers In and Transfers Out between the General Fund and the funds that were reclassified to the General Fund with the implementation of GASB 54 (GAAP basis). Since these funds are not required to be included in the General Fund Budgetary Statement, Transfers In and Transfers Out included (budget basis).

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

	Net Change in Fund Balance
GAAP Basis	\$1,612,355
Adjustments:	
Revenue Accruals	(277,983)
Expenditure Accruals	(88,800)
Perspective Differences	44,361
Advances	284,954
Transfers	(147,120)
Encumbrances	(925)
Budget Basis	\$1,426,842

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits: At June 30, 2014, the carrying amount of the District's deposits was \$3,313,004 and the bank balance was \$3,520,953. Of the District's bank balance, \$250,000 was covered by federal deposit insurance while the remaining \$3,270,953 was exposed to custodial risk, as discussed below. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments: At June 30, 2014, the District had \$4,431,284 invested in a United States Treasury money market fund with Huntington National Bank which will mature in less than one year.

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

Credit Risk: The United States Treasury money market fund was rated AAAM by Standard and Poor's.

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility located in the school district. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Madison County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance prior to June 30, 2014, was \$2,628,497 in the General Fund and \$1,137,421 in the Debt Service Fund. The District did not take any advances on these amounts prior to June 30, 2014.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$293,369,160	96.80%	\$292,024,090	96.54%
Public Utility Personal	9,694,710	3.20%	10,460,740	3.46%
Total Assessed Value	\$303,063,870	100.00%	\$302,484,830	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$46.80		 \$46.80	

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 – INCOME TAX

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

NOTE 8 – RECEIVABLES

Receivables at June 30, 2014, consisted of property taxes, revenue in lieu of taxes, income taxes, intergovernmental grants and reimbursements, accounts, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year with the exception of delinquent property and income taxes. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General Fund	\$ 6,585
Ohio Facilities Construction Commission	19,219
Race to the Top	20,370
IDEA Special Education	24,030
Title I	59,987
Title II-A Improving Teacher Quality	21,977
Total Intergovernmental Receivables	<u>\$ 152,168</u>

NOTE 9 – RISK MANAGEMENT

Property and Liability Insurance - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property, fleet, and liability insurance (For more information on SORSA, see Note 17).

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

Workers' Compensation - For fiscal year 2014, the District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate applies to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 – RISK MANAGEMENT (continued)

Employee Dental Insurance – During the fiscal year, the District began providing dental insurance to employees through Delta Dental. A claims liability of \$4,123 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. There was no claims liability at the beginning of the fiscal year.

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 665,130	\$ -	\$ -	\$ 665,130
Construction in Progress	665,086	367,293	(1,032,379)	-
Total Capital Assets, Not Being Depreciated	<u>1,330,216</u>	<u>367,293</u>	<u>(1,032,379)</u>	<u>665,130</u>
Capital Assets, Being Depreciated:				
Land Improvements	4,388,679	130,912	-	4,519,591
Buildings and Improvements	63,398,997	1,032,379	(366,995)	64,064,381
Furniture, Fixtures and Equipment	1,681,148	63,624	-	1,744,772
Vehicles	1,262,378	91,622	(62,107)	1,291,893
Textbooks and Software	666,735	-	-	666,735
Total Capital Assets, Being Depreciated	<u>71,397,937</u>	<u>1,318,537</u>	<u>(429,102)</u>	<u>72,287,372</u>
Less Accumulated Depreciation:				
Land Improvements	(2,569,647)	(210,266)	-	(2,779,913)
Building and Improvements	(14,456,736)	(1,729,613)	11,010	(16,175,339)
Furniture, Fixtures and Equipment	(756,302)	(103,173)	-	(859,475)
Vehicles	(955,387)	(103,123)	62,107	(996,403)
Textbooks and Software	(666,735)	-	-	(666,735)
Total Accumulated Depreciation	<u>(19,404,807)</u>	<u>(2,146,175)</u>	<u>73,117</u>	<u>(21,477,865)</u>
Total Capital Assets, Being Depreciated, Net	<u>51,993,130</u>	<u>(827,638)</u>	<u>(355,985)</u>	<u>50,809,507</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,323,346</u>	<u>\$ (460,345)</u>	<u>\$ (1,388,364)</u>	<u>\$ 51,474,637</u>

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	1,762,326
Special		1,099
Support Services:		
Pupils		195
Instructional Staff		6,243
Administration		2,095
Operation and Maintenance of Plant		95,104
Pupil Transportation		99,186
Central		10,971
Operation of Non-Instructional Services:		
Food Service Operations		31,609
Other		11,718
Extracurricular Activities		125,629
Total Depreciation Expense	<u>\$</u>	<u>2,146,175</u>

NOTE 11 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.1%. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$289,440, \$270,339, and \$275,979, respectively; 53 percent has been contributed for fiscal year 2014, with the remaining amount being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

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

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

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

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligation to STRS Ohio for the fiscal year ended June 30, 2014, 2013 and 2012 were \$1,101,646, \$1,121,291, and \$1,164,436, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The District's unpaid contribution for fiscal year 2014 has been recorded as a liability in the appropriate funds.

NOTE 12 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$16,792, \$15,271, and \$16,298, respectively, 53 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The District's unpaid contribution for fiscal year 2014 has been recorded as a liability in the appropriate funds.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2014, 2013, and 2012 were \$57,325, \$40,044, \$44,986, respectively, 53 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The District's unpaid contribution for fiscal year 2014 has been recorded as a liability in the appropriate funds.

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

State Teachers Retirement System of Ohio

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$84,742, \$86,253, \$89,572, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The District's unpaid contribution for fiscal year 2014 has been recorded as a liability in the appropriate funds.

NOTE 13 – EMPLOYEE BENEFITS

Compensated Absences

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

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

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

Employee Benefits

The District offers health insurance to its employees through United Health Care. Vision insurance is offered through Vision Services Plan. The provider for life insurance is Unum. The District provides dental insurance through a self-insurance program.

Deferred Compensation

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 – CAPITAL LEASE – LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for computer hardware and equipment and to refinance a capital lease entered into during fiscal year 2009. These leases meet the criteria of a capital lease, defined as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. The equipment acquired by the leases did not meet the District's capitalization threshold. The final lease payment was made during the current fiscal year.

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due Within One Year
<u>Governmental Activities:</u>					
London Refunding Series 2005					
Serial Bonds - 3.00% - 4.35%	5,125,000	-	140,000	4,985,000	145,000
Term Bonds - 3.00% - 4.35%	750,000	-	-	750,000	-
Capital Appreciation Bonds - 10.33%	909,909	-	-	909,909	-
Accretion on Capital					
Appreciation Bonds	1,053,001	208,009	-	1,261,010	-
Premium on Refunding Series 2005	471,318	-	27,724	443,594	-
London Refunding Series 2006					
Serial Bonds - 3.50% - 4.00%	5,085,000	-	160,000	4,925,000	-
Term Bonds - 3.50% - 4.00%	1,070,000	-	-	1,070,000	-
Capital Appreciation Bonds - 10.15%	999,955	-	-	999,955	999,955
Accretion on Capital					
Appreciation Bonds	1,083,727	214,674	-	1,298,401	1,298,401
Premium on Refunding Series 2006	442,407	-	44,241	398,166	-
London Refunding Series 2011					
Term Bonds - 3.75%	2,080,000	-	2,080,000	-	-
Premium on Refunding Series 2011	53,212	-	53,212	-	-
Energy Conservation Notes Series 2013 - 2.70%	-	215,000	15,000	200,000	20,000
ARRA State Energy Program Loan - 1.00%	-	796,968	39,293	757,675	47,184
Capital Leases	30,222	-	30,222	-	-
Compensated Absences	833,037	168,176	94,732	906,481	141,886
Total Governmental Activities					
Long-Term Obligations	<u>\$ 19,986,788</u>	<u>\$ 1,602,827</u>	<u>\$ 2,684,424</u>	<u>\$ 18,905,191</u>	<u>\$ 2,652,426</u>

School Facilities Construction and Improvement Bonds 2001 - On October 16, 2001, the District issued \$29,910,000 in general obligation bonds for the purpose of constructing new classroom facilities under the State of Ohio Classroom Facilities Assistance Program and for the repayment of bond anticipation notes issued for this project. The bonds were repaid from the Debt Service Fund. During fiscal year 2006, the District did two advance refundings for portions of the 2001 bonds in the amount of \$15,944,864. In fiscal year 2012, the District refunded the remaining portion of the 2001 bonds in the amount of \$4,160,000.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

London Refunding Series Bonds 2005 - On October 13, 2005, the District issued \$7,784,909 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. As of June 30, 2014, the refunded bonds were no longer outstanding.

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

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

The capital appreciation bonds issued at \$909,909, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2016 in the amount of \$2,525,000. Accretion on the capital appreciation bonds for fiscal year 2014 was \$208,009.

The bonds will be retired from the Debt Service Fund.

London Refunding Series Bonds 2006 - On January 5, 2006, the District issued \$8,159,955 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. As of June 30, 2014, the refunded bonds were no longer outstanding.

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

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

The capital appreciation bonds issued at \$999,955 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2014 in the amount of \$2,415,000. Accretion on the capital appreciation bonds for fiscal year 2014 was \$214,674.

The bonds will be retired from the Debt Service Fund.

London Refunding Series Bonds 2011 - On September 7, 2011, the District issued \$4,155,000 in General Obligation Bonds to currently refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. This refunding was undertaken to take advantage of lower interest rates. The total debt service payments were reduced by \$176,056 and the present value of this reduction resulted in an economic gain of \$172,372. As of June 30, 2014, the refunded bonds were no longer outstanding.

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

The bonds will be retired from the Debt Service Fund.

Capital leases are paid from the Permanent Improvement Fund within Other Governmental Funds. Compensated absences will be paid from the General Fund.

Energy Conservation Notes Series 2013 - On July 25, 2013, the District issued \$215,000 in Energy Conservation Notes for the purpose of constructing and install certain energy conservation improvements to existing school buildings and facilities. The notes carry an interest rate of 2.70% and have a final maturity date of June 1, 2023.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

ARRA State Energy Program Loan - On August 29, 2013, the District took out a loan in the amount of \$796,968 for the purpose of constructing and install certain energy conservation improvements to existing school buildings and facilities. Payments on the loan are due semiannually in the amount of \$27,260 with the final payment due August 15, 2028.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$13,583,771 and an unvoted debt margin of \$302,485.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,510,540	\$ 604,637	\$ 3,115,177
2016	2,283,453	837,634	3,121,087
2017	2,633,011	430,479	3,063,490
2018	623,493	367,203	990,696
2019	623,978	344,099	968,077
2020-2024	3,457,355	1,351,050	4,808,405
2025-2029	4,145,120	622,171	4,767,291
2030	880,000	19,140	899,140
Total	<u>\$ 17,156,950</u>	<u>\$ 4,576,413</u>	<u>\$ 21,733,363</u>

NOTE 16 – INTERFUND ACTIVITY

Interfund balances at June 30, 2014, consist of the following interfund receivable and payable:

	Receivable
	<u>General Fund</u>
Other Governmental Funds:	
Title II-A Improving Teacher Quality	\$ 15,632

Interfund transfers for fiscal year 2014 were as follows:

Transfers In	Transfers Out
	<u>General Fund</u>
Debt Sercie Fund	\$ 19,934
Other Governmental Funds:	
Permanent Imprpovement	150,000
District Managed Activity	49,500
Totals	<u>\$ 219,434</u>

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Jointly Governed Organizations

Metropolitan Educational Council

The District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside Franklin County. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District paid a \$913 purchasing cooperative fee to MEC during fiscal year 2014. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

Tolles Career and Technical Center

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

Central Madison Joint Recreation District

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

London Schools Foundation

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

Public Entity Shared Risk Pool

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 62 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The District pays an annual property, fleet, and liability insurance premium to SORSA, which totaled \$84,921 for fiscal year 2014. Reinsurance is purchased to cover claims exceeding the coverage amount and for all claims related to equipment breakdown coverage. In the event that the District would withdraw from SORSA, the District would be required to give advance written notice prior to the end of their three year contract. There is no penalty for early withdrawal and the District would not be held responsible for any outstanding claims.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

Insurance Purchasing Pool

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

Related Organization

London Public Library

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

NOTE 18 – SET-ASIDES

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

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2013	\$0
Current Fiscal Year Set-aside Requirement	332,980
Qualifying Disbursements	(383,117)
Set-aside Balance as of June 30, 2014	(\$50,137)
Carried Forward to Fiscal Year 2015	\$0

Since excess disbursements may not be carried over to the next fiscal year, qualifying disbursements presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 19 – CONTINGENCIES

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The District is not party to any legal proceedings.

NOTE 20 – CONTRACTUAL COMMITMENTS

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

	<u>Encumbrances</u>
General Fund	\$ 925
Other Governmental Funds	280,988
Fiduciary Funds	<u>1,620</u>
Total	<u><u>\$ 283,533</u></u>

NOTE 21 – RELATED PARTY TRANSACTION

The Academy is a component unit of the District. The Academy and the Sponsor have entered into a sponsorship agreement whereby terms of the sponsorship were established.

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

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT

During fiscal year 2014, the Academy paid the District \$470,832 for personnel (all teaching and administrative personnel are employees of London City School District); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, legal and financial management services, and sponsorship services. Additionally, at June 30, 2014, the Academy owes the District \$924,437 for services rendered as of June 30, 2014.

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Description of the Academy

The Academy operates under the direction of a self-appointed five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by two non-certified and nine certificated full-time teaching personnel (employed by the District) who provide services to 250 students.

Summary of Significant Accounting Policies

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

The accounting and financial reporting treatment of the Academy's financial transactions is determined by the Academy's measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how the Academy finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made. The Academy's financial statements are prepared using the accrual basis of accounting.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the financial statements.

Cash and Cash Equivalents - The Academy's Treasurer accounts for all monies received by the Academy. The Academy maintains one interest bearing depository account and all funds of the Academy are maintained in this account. This account is presented on the Statement of Net Position as "Cash and Cash Equivalents". The Academy did not have any investments during fiscal year 2014.

Capital Assets - Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$500 for all capital assets. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

The Academy's only capital assets class is furniture, fixtures and equipment which is depreciated using the straight-line method over a useful life of five years.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Academy did not have any deferred outflows of resources at fiscal year-end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Academy did not have any deferred inflows of resources at fiscal year-end.

Net Position - Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities of the Academy. These revenues consist of foundation payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

Intergovernmental Revenues - The Academy currently participates in the State Foundation and Special Education Programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The remaining grants and entitlements received by the Academy are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

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.

Deposits

At fiscal year-end, the carrying amount of the Academy's deposits was \$1,069,205 and the bank balance was \$1,125,810. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), while the remaining \$875,810 was exposed to custodial risk. There are no significant statutory restrictions regarding the deposit and investments of funds by the Academy.

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Receivables

Receivables at June 30, 2014, consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year. At fiscal year-end, the Academy's intergovernmental receivable balance consisted of a Title I receivable for \$14,803 and a Title II-A Improving Teacher Quality receivable for \$198.

Capital Assets

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$ 86,651	\$ -	\$ (25,082)	\$ 61,569
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(83,944)	(677)	25,082	(59,539)
Capital Assets, Net	\$ 2,707	\$ (677)	\$ -	\$ 2,030

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Academy's coverage is provided under the District's policy with the Schools of Ohio Risk Sharing Authority. For fiscal year 2014, the Academy's coverage was for property, equipment breakdown, crime, general liability, educators' legal liability, automobile liability, and gatekeepers' liability.

Settled claims have not exceeded this commercial coverage since the Academy's inception. There has been no significant reduction in coverage from last fiscal year.

Purchased Services

During the fiscal year, purchased services expenses were \$1,519,142. Of this amount, \$1,395,269 represents services provided by the District, including salaries and benefits (all teaching and administrative personnel are employees of London City School District); insurance; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, legal and financial management services, and sponsorship services. The Academy also had purchased services expenses to other vendors in the amount of \$123,873.

Contingencies

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

The Academy is currently not party to any legal proceedings.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Subsequent Event

In October 2014, the Academy entered into a settlement agreement with the Ohio Department of Education (“ODE”) and the State Board of Education and its Superintendent of Public Instruction. The agreement was a compromise of disputed claims between the parties arising from a fiscal year 2013 full-time equivalency (“FTE”) review conducted by the ODE, as well as claims by the Academy that it was owed additional funding due to its erroneous classification as an e-school from 2007 – 2014.

Pursuant to the agreement, ODE shall recover from the Academy \$477,394, which amount is 30% of the total State aid payments made to the Academy for fiscal year 2013. ODE will recover the amount from the Academy by making deductions from school foundation payments to the Academy in equal monthly installments beginning in November 2014 and ending in November 2020.

Also pursuant to the agreement, all parties waived claims related to the Academy’s funding through fiscal year 2014, and the Academy shall be classified by ODE as a “brick and mortar” community school entitled to be funded as such effective with the first monthly community school foundation payment following June 30, 2014.

This has been recorded as a liability at year end and is the primary factor in the Academy’s negative net position of \$320,765.

NOTE 23 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2014, the District has implemented the following:

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the School.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. This Statement was implemented in the School’s fiscal year 2014 financial statements; however, there was no effect.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 85,700	\$ -	\$ 85,700	\$ -
National School Lunch Program	10.555	315,740	-	315,740	-
School Food Donation	10.555		52,104		52,104
Total Nutrition Cluster		<u>401,440</u>	<u>52,104</u>	<u>401,440</u>	<u>52,104</u>
Total U.S. Department of Agriculture		<u>401,440</u>	<u>52,104</u>	<u>401,440</u>	<u>52,104</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Adult Education Basic Grants to States	84.002	1,049	-	2,211	-
Title I Grants to Local Educational Agencies	84.010	522,773	-	505,553	-
Special Education Cluster					
Special Education Grants to States	84.027	394,591	-	403,964	-
Special Education Preschool Grants	84.173	11,064	-	10,351	-
Total Special Education Cluster		<u>405,655</u>	<u>-</u>	<u>414,315</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	87,246	-	107,654	-
ARRA- Race-to-the-Top Incentive Grants	84.395	55,591	-	62,035	-
Total U.S. Department of Education		<u>1,072,312</u>	<u>-</u>	<u>1,091,769</u>	<u>-</u>
U.S. DEPARTMENT OF ENERGY					
<i>Passed Through Ohio Development Services Agency</i>					
ARRA-State Energy Program Loan	81.041	796,968	-	796,968	-
Total U.S. Department of Energy		<u>796,968</u>	<u>-</u>	<u>796,968</u>	<u>-</u>
Total		<u>\$ 2,270,720</u>	<u>\$ 52,104</u>	<u>\$ 2,290,177</u>	<u>\$ 52,104</u>

The accompanying notes are an integral part of this schedule.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the London City School District's (the District's) federal award programs' receipts and disbursements. Except as explained in Note D, below, the schedule has been prepared on the cash-basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – STATE ENERGY PROGRAM LOAN

During fiscal year 2014, the District received an ARRA State Energy Program loan, in the amount of \$796,698, to invest in certain energy improvements. As of June 30, 2014, the outstanding balance of the loan was \$757,675. Pursuant to OMB Circular A-133, the District has recorded the loan proceeds received as an expenditure of Federal awards. Because certain energy improvement expenditures were paid in the prior fiscal year, prior to the receipt of the loan proceeds, actual cash-basis expenditures for fiscal year 2014 were less.

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kennedy Cottrell Richards LLC
December 29, 2014

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the London City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

The District's basic financial statements include the operations of London Academy, which received \$122,824 in federal awards which is not included in the District's Schedule of Federal Awards Receipts and Expenditures for the year ended June 30, 2014. Our audit of Federal awards, described below, did not include the operations of London Academy because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended June 30, 2014, it was not subject to OMB Circular A-133 requirements.

Opinion on Each Major Federal Program

In our opinion, the London City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Kennedy Cottrell Richards LLC
December 29, 2014

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

SCHEDULE OF FINDINGS

JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA: 10.553, 10.555 Title I CFDA: 84.010 ARRA State Energy Program CFDA: 81.041
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY, OHIO

SCHEDULE OF FINDINGS

JUNE 30, 2014

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

2004-001 Noncompliance: Certificate of the Fiscal Officer

Pursuant to Ohio Revised Code Section 5705.41(D), no subdivision or taxing unit shall "make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances."

In our testing of disbursements for compliance with the above requirement, we noted two disbursements for which the Purchase Order containing the required certification was dated after the invoice date. The disbursements totaled \$404,225 and were contract payments related to the District's energy improvement project begun in the prior fiscal year. Without proper certification, the risk is increased the District could spend monies that have not been lawfully appropriated or are not free of encumbrances.

We recommend the District review significant contracts and ensure that Purchase Orders with the required certification are properly and timely completed in advance of the obligation date.

Official's Response

The issuance of a proper Purchase Order for the PlugSmart contract was delayed due to the length of time it took to close the loan with the Ohio Development Services Agency. In the future, all contracts will have a Purchase Order issued immediately.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Significant Deficiency over eligibility Determinations for the Title 1 and Nutrition Cluster federal programs	Yes	Corrected.

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Dave Yost • Auditor of State

LONDON CITY SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**