



Mary Taylor, CPA
Auditor of State

London City School District
Madison County, Ohio
Fiscal Watch Termination

Local Government Services Section

**London City School District
Madison County**

FISCAL WATCH TERMINATION

Table of Contents

Table of Contents 1

Termination of Fiscal Watch 3

Analysis for Termination of Fiscal Watch:

 Declaration of Fiscal Watch..... 4

 Guidelines for Release from Fiscal Watch 4

 Analysis of Compliance with the Guidelines for Termination of Fiscal Watch 5

 Conclusion 6

 Disclaimer 7

 Appendix A..... 9

London City School District Financial Forecast
for the Fiscal Years Ending June 30, 2008 through June 30, 2012

This page intentionally left blank



Mary Taylor, CPA
Auditor of State

Termination of Fiscal Watch

Pursuant to a request submitted to the Auditor of State by the London City School District Board of Education to remove the London City School District from Fiscal Watch, the Auditor of State has determined that London City School District has met the Guidelines for Release from Fiscal Watch as published by the Auditor of State and the Ohio Department of Education. The London City School District's status of Fiscal Watch is hereby terminated as of April 15, 2008.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Nancy Smith, President of the Board of Education of the London City School District; David G. Eades, Mayor of the City of London; J. Pari Sabety, CPA, Director of Budget and Management; and Dr. Susan Tave Zelman, State Superintendent of Public Instruction.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 15, 2008

**London City School District
Madison County**

Analysis for Termination of Fiscal Watch

Declaration of Fiscal Watch

The Auditor of State, in accordance with Section 3316.03 of the Ohio Revised Code, is required to declare a school district to be in fiscal watch if it is determined that the school district meets any one of the four conditions described in Section 3316.03(A) of the Ohio Revised Code. The conditions are:

1. The Auditor of State has certified a forecasted General Fund operating deficit for the current fiscal year exceeding eight percent of the school district's General Fund revenue for the preceding fiscal year, and the district has not passed a tax levy to eliminate this condition in the succeeding year.
2. A school district has restructured its operating debt while in fiscal emergency, the fiscal emergency has been terminated and any portion of the restructured debt is still outstanding.
3. A school district was placed in fiscal caution due to budgetary conditions that could lead to a declaration of watch or emergency, the school district has not acted reasonably to correct the noted fiscal conditions, and the Ohio Department of Education has determined that a declaration of fiscal watch is necessary to prevent further fiscal decline.
4. The Auditor of State has certified a forecasted General Fund operating deficit for the current fiscal year between two percent and eight percent of the school district's General Fund revenue for the preceding fiscal year, the district has not passed a levy to eliminate the deficit in the succeeding fiscal year, and the Auditor of State determines there is no reasonable cause for the deficit or that declaring fiscal watch is necessary to prevent further fiscal decline.

According to the provisions of Section 3316.03(A)(3) of the Ohio Revised Code, on May 28, 2004 the Department of Education declared the London City School District to be in a state of Fiscal Caution based on an anticipated deficit for the fiscal years ending June 30, 2005 and 2006. The Department of Education notified the Auditor of State that London City School District failed to submit an acceptable written proposal required by Section 3316.031(C) for correcting the conditions that prompted the declaration of Fiscal Caution.

The Auditor of State declared the London City School District in Fiscal Watch on October 7, 2004 based on the School District's failure to submit an acceptable written proposal required by Section 3316.031(C) for correcting the conditions that prompted the declaration of Fiscal Caution and an analysis of the School District's five-year forecast filed with the Department of Education on May 27, 2004, which included deficits of \$1,292,000 and \$3,270,000 for the fiscal years ending June 30, 2005 and 2006, respectively.

Guidelines for Release from Fiscal Watch

The procedures for removing a school district from fiscal watch are set forth in Guidelines for Release from Fiscal Watch, developed by the Ohio Department of Education and the Auditor of State. These guidelines permit a school district to first submit a request for release from fiscal watch in the fiscal year following the fiscal year in which the Auditor of State declared the school district in fiscal watch. A school district may not request release from fiscal watch in the same fiscal year in which the Auditor of State made the declaration. Additionally, a school district may not request release from fiscal watch until the State Superintendent of Public Instruction has approved the financial recovery plan of the school district.

A school district seeking release from fiscal watch must request release by sending a letter and board resolution to the Auditor of State and the State Superintendent of Public Instruction.

**London City School District
Madison County**

Analysis for Termination of Fiscal Watch

The Department of Education will:

- Determine whether the district has met the requirements of its financial recovery plan (including alleviating the conditions that led to the declaration of fiscal watch and alleviating any conditions and discontinuing any practices identified by the Auditor of State that could lead to the declaration of fiscal caution) and provide the Auditor of State with a written summary of its findings; and,
- Based on its review and analysis of the district, notify the Auditor of State whether it supports the Board of Education's request for release.

The Auditor of State's Office will:

- Determine that the district received an unqualified opinion on its most recent audit of its financial statements and that the statements were prepared in accordance with generally accepted accounting principles;
- Determine that the compliance and management letters issued as part of the most recent audit contain no material issues relating to accounting policies and procedures that could negatively impact the financial recovery or condition of the district;
- Examine the district's five-year forecast. To be eligible for release from watch, the forecast must be based on the board's most likely course of action, demonstrate that the district will avoid all fiscal watch conditions for the current and ensuing fiscal year, and receive an unqualified opinion from the Auditor of State; and,
- Make a determination regarding release and notify the school district and the Department of Education.

Analysis of Compliance with the Guidelines for Termination of Fiscal Watch

The London City School District Board of Education passed a resolution on March 19, 2007, requesting termination from fiscal watch. This resolution, along with a recommendation for release from fiscal watch from the Ohio Department of Education, was forwarded to the Auditor of State on June 29, 2007. There was a joint agreement between the School District and the Auditor of State to wait on the analysis until the School District prepared their October 2007 five year financial forecast.

- The primary strategy of the recovery plan dated December 3, 2004, was to obtain voter approval of a one percent income tax levy. The School District placed a five year, one percent income tax levy on the ballot, which was passed on February 8, 2005 and became effective January 1, 2006.
- The Ohio Department of Education provided the Auditor of State with a letter, dated June 29, 2007, in which ODE stated "...the School District achieved the objective of the recovery plan and should be considered for release from fiscal watch."
- The guidelines require the School District to prepare its financial statements using generally accepted accounting principles and receive an unqualified audit opinion. The audit of the School District's General Purpose External Financial Statements for the fiscal year ended June 30, 2006, was released by the Auditor of State on February 12, 2007, and included an unqualified opinion.

**London City School District
Madison County**

Analysis for Termination of Fiscal Watch

- As part of the analysis for termination of fiscal watch, the School District's compliance and management letters issued as part of the audit for fiscal year 2006 were reviewed. The compliance and management letters disclosed the following:
 - a) The School District had no citations in the report on compliance.
 - b) The management letter that accompanied the 2006 audit included two immaterial compliance issues and two recommendations. Management has either implemented or is in the process of implementing changes as a result of the noncompliance issues and recommendations. While these changes are in the interest of the School District, the audit for 2007 will determine the effectiveness of the changes.
- The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2008 through 2012, to determine if the School District will avoid fiscal watch conditions for the current and ensuing fiscal years. The financial forecast and our report are included in Appendix A. The financial forecast reflects a positive unencumbered/unreserved General Fund balance through fiscal year 2012. Our report on the financial forecast includes an unqualified opinion.

Conclusion

Based on our analysis, the Auditor of State has determined the following:

- 1) The School District has received an unqualified opinion on financial statements prepared in accordance with generally accepted accounting principles for the fiscal year ended June 30, 2006;
- 2) The compliance letter issued as part of the 2006 audit contained no noncompliance issues;
- 3) The management letter issued at the completion of the 2006 audit included no material compliance issues and no material recommendations;
- 4) The Auditor of State has examined the School District's financial forecast. The forecast demonstrates that the School District will avoid a fiscal watch condition based on the General Fund balances for fiscal years 2008 through 2012; and,
- 5) The Ohio Department of Education has provided a letter dated June 29, 2007, which indicates the School District has achieved the objectives of the recovery plan and should be considered for termination of fiscal watch.

The London City School District has met the guidelines for termination of fiscal watch. Therefore, the fiscal watch status is hereby cancelled as of April 15, 2008.

It is understood that this report's determination is for the use of the School District's Board of Education, the Superintendent of London City School District, the Director of Budget and Management, the State Superintendent of Public Instruction, and the Auditor of the State of Ohio, and others as designated by the Auditor of State, and is not to be used for any other purpose.

**London City School District
Madison County**

Analysis for Termination of Fiscal Watch

Disclaimer

Because the preceding procedures were not sufficient to constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any specific accounts or fund balances identified above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

This page intentionally left blank

APPENDIX A

**London City School District
Madison County**

Financial Forecast

**For the Fiscal Years Ending
June 30, 2008 through June 30, 2012**

This Page Intentionally Left Blank



Mary Taylor, CPA

Auditor of State

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the General Fund of London City School District for the fiscal years ending June 30, 2008 through 2012. The London City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the General Fund of the London City School District for the fiscal years ended June 30, 2005, 2006 and 2007 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 11, 2008

Local Government Services Section
88 E. Broad Street / Sixth Floor / Columbus, OH 43215
Telephone: (614) 466-4717 (800) 345-2519 Fax: (614) 728-8027
www.auditor.state.oh.us

London City School District

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2005 Through 2007 Actual; and
For the Fiscal Years Ending June 30, 2008 Through 2012 Forecasted
General Fund

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual
Revenues:			
General Property Taxes	\$4,786,000	\$5,176,000	\$4,925,000
Tangible Personal Property Taxes	993,000	1,230,000	957,000
Income Tax	0	136,000	1,450,000
Unrestricted Grants-in-Aid	6,777,000	7,268,000	7,630,000
Restricted Grants-in-Aid	78,000	207,000	198,000
Property Tax Allocation	592,000	567,000	886,000
All Other Revenues	729,000	1,617,000	1,544,000
Total Revenues	13,955,000	16,201,000	17,590,000
Other Financing Sources:			
Note Proceeds	1,210,000	0	0
Note Premium	103,000	0	0
Transfers In	0	12,000	0
Advances In	45,000	0	112,000
Total Other Financing Sources	1,358,000	12,000	112,000
Total Revenues and Other Financing Sources	15,313,000	16,213,000	17,702,000
Expenditures:			
Personal Services	8,681,000	9,271,000	9,384,000
Employees' Retirement/Insurance Benefits	2,736,000	3,013,000	3,216,000
Purchased Services	2,337,000	2,651,000	3,061,000
Supplies and Materials	483,000	533,000	512,000
Capital Outlay	146,000	150,000	127,000
Debt Service:			
Principal	0	0	215,000
Interest and Fiscal Charges	22,000	80,000	65,000
Other Objects	508,000	383,000	401,000
Total Expenditures	14,913,000	16,081,000	16,981,000
Other Financing Uses:			
Transfers Out	0	234,000	0
Advances Out	61,000	18,000	35,000
Other Financing Uses	59,000	350,000	71,000
Total Other Financing Uses	120,000	602,000	106,000
Total Expenditures and Other Financing Uses	15,033,000	16,683,000	17,087,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	280,000	(470,000)	615,000
Cash Balance July 1	497,000	777,000	307,000
Cash Balance June 30	777,000	307,000	922,000

Fiscal Year 2008 Forecasted	Fiscal Year 2009 Forecasted	Fiscal Year 2010 Forecasted	Fiscal Year 2011 Forecasted	Fiscal Year 2012 Forecasted
\$5,200,000	\$5,650,000	\$6,080,000	\$6,170,000	\$6,540,000
650,000	343,000	29,000	7,000	0
2,740,000	2,761,000	2,844,000	2,406,000	0
7,625,000	8,008,000	7,863,000	8,218,000	8,128,000
191,000	192,000	192,000	192,000	193,000
1,111,000	1,329,000	1,563,000	1,594,000	1,478,000
2,200,000	2,256,000	2,335,000	2,333,000	2,321,000
<u>19,717,000</u>	<u>20,539,000</u>	<u>20,906,000</u>	<u>20,920,000</u>	<u>18,660,000</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
35,000	35,000	35,000	35,000	35,000
<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>
<u>19,752,000</u>	<u>20,574,000</u>	<u>20,941,000</u>	<u>20,955,000</u>	<u>18,695,000</u>
9,925,000	10,314,000	10,582,000	10,927,000	11,283,000
3,551,000	3,912,000	4,314,000	4,772,000	5,286,000
3,308,000	3,415,000	3,530,000	3,649,000	3,930,000
658,000	637,000	652,000	657,000	604,000
299,000	226,000	233,000	240,000	240,000
230,000	240,000	255,000	270,000	0
52,000	38,000	24,000	8,000	0
572,000	419,000	439,000	442,000	453,000
<u>18,595,000</u>	<u>19,201,000</u>	<u>20,029,000</u>	<u>20,965,000</u>	<u>21,796,000</u>
0	0	0	0	0
35,000	35,000	35,000	35,000	35,000
35,000	35,000	35,000	35,000	35,000
<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
<u>18,665,000</u>	<u>19,271,000</u>	<u>20,099,000</u>	<u>21,035,000</u>	<u>21,866,000</u>
1,087,000	1,303,000	842,000	(80,000)	(3,171,000)
922,000	2,009,000	3,312,000	4,154,000	4,074,000
<u>2,009,000</u>	<u>3,312,000</u>	<u>4,154,000</u>	<u>4,074,000</u>	<u>903,000</u>

(continued)

London City School District

Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Years Ended June 30, 2005 Through 2007 Actual; and
 For the Fiscal Years Ending June 30, 2008 Through 2012 Forecasted
 General Fund
 (continued)

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual
Encumbrances and Reserves:			
Actual/Estimated Encumbrances June 30	153,000	94,000	194,000
Reserve for:			
Textbooks and Instructional Materials	0	0	0
Capital Improvements	0	0	0
Bus Purchases	0	0	0
Total Encumbrances and Reserves	<u>153,000</u>	<u>94,000</u>	<u>194,000</u>
Unencumbered/Unreserved Fund Balance June 30	624,000	213,000	728,000
Cumulative Revenue from Renewal Levies	0	0	0
Unencumbered/Unreserved Fund Balance June 30 Including Renewal Levies	<u>\$624,000</u>	<u>\$213,000</u>	<u>\$728,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
 See Independent Auditor's Report

Fiscal Year 2008 Forecasted	Fiscal Year 2009 Forecasted	Fiscal Year 2010 Forecasted	Fiscal Year 2011 Forecasted	Fiscal Year 2012 Forecasted
99,000	102,000	105,000	109,000	112,000
103,000	73,000	52,000	50,000	126,000
131,000	356,000	597,000	853,000	1,078,000
5,000	7,000	8,000	10,000	11,000
<u>338,000</u>	<u>538,000</u>	<u>762,000</u>	<u>1,022,000</u>	<u>1,327,000</u>
1,671,000	2,774,000	3,392,000	3,052,000	(424,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>495,000</u>	<u>2,958,000</u>
<u>\$1,671,000</u>	<u>\$2,774,000</u>	<u>\$3,392,000</u>	<u>\$3,547,000</u>	<u>\$2,534,000</u>

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Note 1 - The School District

London City School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected board consisting of five members elected at-large for staggered four year terms.

The School District is located in Madison County and encompasses all of the City of London and portions of Deer Creek, Sommerford, and Union Townships. The legislative power of the School District is vested in the Board of Education. The School District is staffed by 85 classified employees and 162 certificated full-time personnel who provide services to 2,214 students and other community members. The School District currently operates three public schools, including one elementary school, one middle school, and one high school.

Note 2 - Nature of the Forecast

The financial forecast presents, to the best of the London City School District Board of Education's knowledge and belief, the expected revenues, expenditures, and operating balance of the General Fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of March 11, 2008, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the General Fund. Under State law, certain General Fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require General Fund resources pledged for the repayment of debt be recorded directly in the Debt Service Fund. For presentation in the forecast, the Poverty Based Assistance Fund, Disadvantaged Pupil Impact Aid (DPIA) Fund, and General Fund supported debt are included in the General Fund.

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenues and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

B. Fund Accounting

The School District maintains its accounting records system in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the School 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 School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The County Budget Commission has waived the requirement for filing a formal tax budget. The major documents prepared are the certificate of estimated

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

resources and the appropriations resolution, which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Madison County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budgetary information so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations resolution.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The London City School District will continue to operate its instructional programs in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in business which is located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Madison County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2007 (the collection year) for real and public utility property taxes represents collections of 2006 taxes (the tax year). Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) are for calendar year 2007 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation". Beginning in collection year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial property. This change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances in June against the next fiscal year's scheduled property tax settlements. Even though the School District plans to request advances, they have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances.

The property tax revenues for the General Fund are generated from several levies. The current levies being collected for the General Fund, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation	n/a	n/a	\$4.20
Continuing Operating	1976	n/a	20.20
Continuing Operating	1996	n/a	12.90
Total Tax Rate			\$37.30

The School District also has a levy for school improvement and classroom facilities bonds for \$8.00 per \$1,000 of assessed valuation. The School District's total property tax rate is \$45.30.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the General Fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the General Fund, the effective residential and

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

agricultural real property tax rate is \$20.00 per \$1,000 of assessed valuation for collection year 2008, and the effective commercial and industrial real property tax rate is \$23.04 per \$1,000 of assessed valuation for collection year 2008. Because the School District's General Fund effective millage is at the 20 mill floor for residential and agriculture real property, the General Fund property tax revenues from real estate will increase as residential and agriculture real property valuations increase due to reappraisal.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 switched telephone companies from being public utilities to general business taxpayers and began the phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility real and personal property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenues and are based upon existing tax levies and anticipated increases in assessed valuations. The School District anticipates an increase in fiscal year 2008 due to an advance received during fiscal year 2006 against fiscal year 2007 property taxes. No advances have been forecasted for fiscal years 2008 through 2012. The School District also anticipates increases during fiscal years 2009 and 2010 due to a reappraisal during calendar year 2008. For fiscal year 2012, an increase is forecasted due the triennial update in property values that is scheduled to occur during calendar year 2011. The School District's General Fund millage for residential and agricultural real property is at the 20 mill floor, which allows property tax revenue to increase because of revaluations and reappraisals.

Tangible Personal Property Tax - Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the 23 percent assessment rate on business inventory was to be reduced by two percent if the total statewide collections of property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 phases out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is calendar year 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, will lose approximately \$1,230,000 annually when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation below).

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Tangible personal property tax revenues for fiscal year 2008 include the actual October 2007 and the estimated June 2008 personal property tax settlements. The decrease in revenue for the forecast period compared to the amount received in fiscal year 2007 is due to the phase out of tangible personal property taxes.

B. Income Tax

On February 8, 2005, the voters approved a five year, one percent income tax that took effect on January 1, 2006 and is estimated to generate a minimum of \$2,500,000, annually. The tax is levied on the earned income of residents located in the London City School District. The Ohio Department of Taxation collects the taxes on behalf of the School District and remits the taxes quarterly in April, July, October, and January, net of estimated refunds. The July settlement, which includes payments from the annual tax returns due April 15, is the largest settlement each year. The tax will expire December 31, 2010, unless renewed by the voters of the School District.

The increase in the income tax revenue from fiscal year 2006 to fiscal year 2008 is due to the timing in collection of the tax and distribution of the tax proceeds by the Ohio Department of Taxation. The forecasted amounts for fiscal years 2009 through 2011 are based on a stable unemployment rate for the county and a projected increase in the earned income of residents.

The renewal of the income tax levy is subject to voter approval. While the School District anticipates the renewal of the tax levy, the proceeds for the renewal of the levy are segregated and reported in the account "Cumulative Revenue from Renewal Levies" in the forecast statement for fiscal years 2011 and 2012. Fiscal year 2011 is the final year of collections of the original income tax levy and the School District anticipates receiving three quarterly settlements in the amount of \$2,406,000. The expected revenue generated from the renewal levy is \$495,000 during fiscal year 2011 and \$2,958,000 for fiscal year 2012.

C. Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid represent State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as parity aid and excess cost supplement, which are provided to address certain policy issues or correct flaws in formula aid, are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills times the school district's taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The regional cost of doing business factor was phased out by one-third each year beginning in 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. For fiscal years 2008 and 2009, the State Legislature has increased per pupil funding by three percent each fiscal year. The School District anticipates the per pupil amount to increase 2.5 percent each fiscal year after fiscal year 2009.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

The per pupil foundation levels for fiscal years 2005 through 2009 are as follows:

Fiscal Year	Per Pupil Foundation Level
2005	\$5,169
2006	5,283
2007	5,403
2008	5,565
2009	5,732

The anticipated unrestricted grants-in-aid for fiscal year 2008 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the February school foundation statement for fiscal years 2008 and the amounts forecasted for the next four fiscal years are as follows:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Formula Aid	\$5,488,000	\$5,806,000	\$5,589,000	\$5,868,000	\$5,696,000
Categorical Funding	716,000	769,000	827,000	890,000	958,000
Transportation	426,000	438,000	452,000	465,000	479,000
Charge Off Supplement	347,000	347,000	347,000	347,000	347,000
Parity Aid	648,000	648,000	648,000	648,000	648,000
Totals	<u>\$7,625,000</u>	<u>\$8,008,000</u>	<u>\$7,863,000</u>	<u>\$8,218,000</u>	<u>\$8,128,000</u>

The School District anticipates that ADM will remain constant for the forecasted period. Formula aid is anticipated to increase throughout the forecast period, with the exception of decreases in fiscal years 2010 and 2012, due to anticipated increases in per pupil funding, offset by increases in assessed valuation each fiscal year. Formula aid is forecasted to decrease during fiscal years 2010 and 2012 due to increases in the adjusted recognized valuation as a result of a property reappraisal and an update that will occur during the forecasted period.

Categorical funding is forecasted to increase due to anticipated increases in special education and weighted aid as a result of expected increases in per pupil funding. The School District anticipates the charge off supplement to remain constant during the forecast period. The charge off supplement is forecasted to decrease approximately \$250,000 from fiscal year 2006 due to the addition of the income tax levy. Parity aid is forecasted to remain consistent each fiscal year as a result of the School District anticipating that ADM will remain constant.

D. Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. For the forecast period, restricted grants-in-aid are anticipated to remain relatively constant.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

E. Property Tax Allocation

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Homestead and Rollback	\$569,000	\$607,000	\$644,000	\$665,000	\$723,000
Tangible Personal Property Exemption	16,000	6,000	0	0	0
Tangible Personal Property Loss Reimbursement	526,000	716,000	919,000	929,000	755,000
Totals	<u>\$1,111,000</u>	<u>\$1,329,000</u>	<u>\$1,563,000</u>	<u>\$1,594,000</u>	<u>\$1,478,000</u>

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in tax year 2005, the State eliminated the ten percent rollback on commercial and industrial real property and the corresponding reimbursement to local governments. This change decreased property tax allocation and increased the collection of property taxes on commercial and industrial property.

The State exempts the first \$10,000 in general business personal property from taxation and reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement will be in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new State consumption taxes, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas, have been enacted. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as Utility Deregulation payments. The reimbursements are phased out starting in 2007 and ending in 2016. For fiscal year 2008, the School District anticipates no public utility reimbursements based on information provided by the Ohio Department of Taxation.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, beginning in fiscal year 2012, the reimbursements are gradually being phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving a steadily increasing reimbursement for the tangible personal property tax phase out until 2012 when the amount begins to decline, due to a phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

F. All Other Revenues

All other revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Tuition	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000
Open Enrollment Tuition	280,000	284,000	291,000	298,000	305,000
Interest on Investments	37,000	37,000	37,000	37,000	37,000
Educational Fees	110,000	110,000	110,000	110,000	110,000
Rentals	3,000	3,000	3,000	3,000	3,000
Refund of Prior Year Expenditures	17,000	0	0	0	0
Payments in Lieu of Taxes	268,000	273,000	279,000	200,000	107,000
Charges for Services	1,423,000	1,487,000	1,553,000	1,623,000	1,697,000
Other Receipts	33,000	33,000	33,000	33,000	33,000
Totals	\$2,200,000	\$2,256,000	\$2,335,000	\$2,333,000	\$2,321,000

All other revenues include tuition, open enrollment, interest on investments, educational fees, rent, refund of prior year expenditures, payments in lieu of taxes, charges for services, and other receipts.

The School District receives tuition for special education students from other districts who attend the London City School District, as well as from open enrollment. Tuition is forecasted to remain constant for fiscal years 2008 through 2012. Open enrollment tuition is forecasted to have a steady increase for fiscal years 2008 through 2012 based on an average number of students who reside in other districts attending the London City School District and an increase in the per pupil funding.

Interest is based on historical investment practices and is forecasted to remain constant for fiscal years 2008 through 2012.

Educational fees will remain consistent based on prior year collections. With the number of students expected to remain consistent until 2012, the forecasted amount for 2008 through 2012 will remain the same.

Refund of prior year expenditures were forecasted based on actual refunds received during fiscal year 2008. Due to the infrequency of these refunds, no amounts will be forecast for fiscal years 2009 through 2012.

Charges for services include revenues received from the London Academy, a component unit of the School District. Beginning in fiscal year 2008, the School District started receiving revenues in accordance with a purchased services agreement between the School District and the London Academy. The agreement is for various services provided by the School District to the Academy. The increases during the forecasted period are based on estimated increases for future purchased service agreements and the increase in the cost of services provided.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

The School District received payments in lieu of taxes from various companies within the Madison County area in order to alleviate the loss of property taxes due to the designation of trade zones. The following table details the forecasted payments in lieu of taxes:

Revenue Sources	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Stanley Electric Company	\$86,000	\$86,000	\$86,000	\$0	\$0
Pizzuti Equities Inc.	19,000	19,000	19,000	19,000	19,000
Intelligrated/Versa LLC	9,000	9,000	9,000	9,000	9,000
Staples	100,000	100,000	100,000	100,000	0
VAT BST	5,000	5,000	5,000	5,000	5,000
City of London, Keny Blvd.	49,000	54,000	60,000	67,000	74,000
Totals	\$268,000	\$273,000	\$279,000	\$200,000	\$107,000

G. Other Financing Sources

Other financing sources consist of advances that the School District anticipates will be made during the forecasted period. Advances are made from the General Fund to other funds, primarily to cover grant monies that are not received as of fiscal year end. Advances are forecasted based on the historical timeliness of grant monies not received at fiscal year end.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal services expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, student workers and board members. In addition to regular salaries, it includes payments for supplemental contracts, severance pay and payments in lieu of benefits. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by the Board of Education.

The following table shows staffing levels for the School District for the fiscal years ending June 30, 2005 through 2008:

	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
General Fund:				
Certified	144	142	147	146
Classified	60	57	57	60
Total General Fund	204	199	204	206
Other Funds:				
Certified	20	21	15	16
Classified	24	27	27	25
Total Other Funds	44	48	42	41
Totals	248	247	246	247

For the forecast period, the School District anticipates that the number of employees will remain constant.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The certified contract covers the period July 1, 2006 to June 30, 2008 and includes a base increase of three percent with step increases averaging one percent. Classified staff salaries are also based on a negotiated contract which includes a base increase averaging two percent and step increases which average 2.75 percent. The classified contract covers the period July 1, 2006 to June 30, 2008.

New contracts for the certified and classified employees will be negotiated during fiscal year 2008. The School District anticipates the new contracts will cover fiscal years 2009 and 2010 for both the classified and certified employees. The School District also expects new contracts to be negotiated in fiscal year 2010 that will cover fiscal years 2011 and 2012 for both the classified and certified employees. The School District has assumed a two percent increase in its base salary for certified and classified employees and step increases of one percent for the certified employees and 2.75 percent for the classified employees for fiscal years 2009 through 2012. The agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving these increases for fiscal years 2009 through 2012 is unknown and the realization of the forecast is particularly sensitive to any increase in salaries. Should the School District agree to an additional one percent increase for certified and classified salaries, excluding the effect on benefits, it would cause the following decreases to fund balance for fiscal years 2009 through 2012:

	Decrease to Fund Balance				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Cumulative Decrease
Certified Salaries	\$75,000	\$155,000	\$241,000	\$334,000	\$805,000
Classified Salaries	17,000	37,000	57,000	81,000	192,000
Total Fund Balance Decrease	\$92,000	\$192,000	\$298,000	\$415,000	\$997,000

The School District does not plan to eliminate any supplemental positions during the forecasted period. Therefore, supplemental contracts are forecasted to increase approximately four percent based on a historical average. Substitute salaries are anticipated to remain constant throughout the forecast period.

The School District offers severance pay to its retiring employees of 25 percent of accrued, but unused sick leave to a maximum pay out of 75 days for certified employees. For classified employees, the School District offers severance pay to its retiring employees of 25 percent of accrued, but unused sick leave to a maximum pay out of 65 days. Severance payments are forecasted to decrease during fiscal year 2010 due to a decrease in the number of employees who will be eligible to retire after fiscal year 2009. Fiscal years 2011 and 2012 are forecasted to have only small increases.

Presented below is a comparison of salaries and wages for fiscal years 2008 through 2012.

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Certified Salaries	\$7,527,000	\$7,785,000	\$8,018,000	\$8,258,000	\$8,504,000
Classified Salaries	1,731,000	1,827,000	1,913,000	2,005,000	2,100,000
Substitute Salaries	209,000	209,000	209,000	209,000	209,000
Supplemental Contracts	311,000	321,000	333,000	345,000	357,000
Severance Pay	73,000	95,000	34,000	35,000	36,000
Other Salaries and Wages	74,000	77,000	75,000	75,000	77,000
Totals	\$9,925,000	\$10,314,000	\$10,582,000	\$10,927,000	\$11,283,000

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Presented below is a comparison of employees' retirement and insurance benefits for fiscal years 2008 through 2012.

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Employer's Retirement	\$1,373,000	\$1,427,000	\$1,474,000	\$1,521,000	\$1,557,000
Medicare	143,000	148,000	153,000	158,000	163,000
Workers' Compensation	135,000	140,000	145,000	149,000	154,000
Medical, Dental, Vision, and Life Insurance	1,871,000	2,168,000	2,513,000	2,915,000	3,383,000
Other Salaries and Wages	29,000	29,000	29,000	29,000	29,000
Totals	\$3,551,000	\$3,912,000	\$4,314,000	\$4,772,000	\$5,286,000

Retirement costs are based on the School District's contribution rate of 14 percent of the salaries of STRS and SERS members. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. In addition to the employer's retirement contributions, the School District pays the employees' retirement contributions for the superintendent and the treasurer. For the forecast period, the School District estimates retirement costs will increase consistent with the anticipated increase in salaries.

Medicare benefits are based on the School District's rate of 1.45 percent of the payroll costs for contributing staff.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior years. The workers' compensation rate is expected to remain consistent with prior years. For the forecast period, the School District estimates workers' compensation costs will increase consistent with the anticipated increase in salaries.

The School District provides their employees with health insurance through United Healthcare, dental and vision insurance through Ameritas, and life insurance through Unum. For fiscal year 2008, the School District's premiums for health and dental insurance are based on current negotiated rates. For fiscal years 2009 through 2012, the School District anticipates an increase of 17 percent in health insurance and 11 percent for dental insurance premiums. For fiscal years 2008 through 2012, vision and life insurance premiums are forecasted to remain constant based on the average cost from historic information.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

C. Purchased Services

Presented below is a comparison of forecasted purchased services expenditures for fiscal years 2008 through 2012:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Professional and Technical Services	\$294,000	\$345,000	\$380,000	\$349,000	\$434,000
Property Services	437,000	500,000	558,000	647,000	754,000
Travel and Meeting Expenses	18,000	14,000	18,000	15,000	19,000
Communication Costs	54,000	55,000	56,000	57,000	59,000
Utility Services	750,000	768,000	777,000	801,000	825,000
Trade Services	7,000	7,000	7,000	7,000	7,000
Tuition Payments	1,712,000	1,723,000	1,731,000	1,770,000	1,829,000
Pupil Transportation	36,000	3,000	3,000	3,000	3,000
Totals	<u>\$3,308,000</u>	<u>\$3,415,000</u>	<u>\$3,530,000</u>	<u>\$3,649,000</u>	<u>\$3,930,000</u>

Professional and technical services are forecasted to increase in fiscal year 2009 due to a new contract for occupational and physical therapy services with the Madison County Hospital. Professional and technical services are forecasted to increase during fiscal years 2010 and 2012 and are expected to decrease during fiscal year 2011. These increases for fiscal years 2010 and 2012 are due to an expected increase in the legal fees associated with negotiations for the School District's employees' contracts.

Property services are forecasted to increase based on historical increases for lawn care and custodial services and an average increase of three percent for property insurance.

Utility services are forecasted to increase throughout the forecast period due to increased water and sewer usage and increases in the cost of electricity and natural gas.

Tuition payments are forecasted to increase each fiscal year due to the increase in the per pupil cost related to State Foundation with the assumption that the number of students leaving the School District will remain relatively constant.

Travel and meeting expenses, communication costs, and trade services are forecasted to remain fairly consistent over the forecasted period.

Pupil transportation will decrease during fiscal year 2009 due the School District cancelling bus services with MRDD. For fiscal years 2009 through 2012, pupil transportation is forecasted to remain constant.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

D. Supplies and Materials

Presented below is a comparison of forecasted supplies and materials expenditures for fiscal years 2008 through 2012:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
General Supplies, Library Books and Periodicals	\$310,000	\$304,000	\$311,000	\$319,000	\$327,000
Operations, Maintenance and Repairs	226,000	221,000	229,000	236,000	245,000
Textbooks	122,000	112,000	112,000	102,000	32,000
Totals	<u>\$658,000</u>	<u>\$637,000</u>	<u>\$652,000</u>	<u>\$657,000</u>	<u>\$604,000</u>

General supplies, library books, and periodicals are anticipated to increase three percent due to inflation. The decrease in fiscal year 2009 is due to a large amount spent on new library books in fiscal year 2008 that will not occur again.

Operations, maintenance and repairs will decrease during fiscal year 2009 due to the School District upgrading camera and radio equipment for school buses during fiscal year 2008. The cost of diesel fuel for buses and also necessary repairs required for existing school buildings are forecasted to increase for fiscal years 2008 through 2012.

For fiscal years 2008 through 2012, spending on textbooks is forecasted to fluctuate based on the School District's textbook purchase schedule.

E. Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Capital outlay expenditures for fiscal year 2008 are forecasted to increase due to the School District's plans to lease new computers and purchase two new buses. The School District's plans for fiscal years 2009 through 2012 include the purchase of one new bus during each fiscal year and lease payments associated with the computer equipment lease.

F. Debt Service

General Fund supported debt consists of tax anticipation notes that were issued on June 1, 2005 in the amount of \$1,210,000 at a rate of 5.75 percent. The School District issued the notes in anticipation of the collection of a one percent income tax levy approved by the voters in fiscal year 2005. The proceeds of the notes were used for general operating purposes and will be repaid over a five year period beginning in fiscal year 2007 with income taxes from the General Fund.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Future principal and interest payments for General Fund supported debt are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$230,000	\$52,000	\$282,000
2009	240,000	38,000	278,000
2010	255,000	24,000	279,000
2011	270,000	8,000	278,000
Total	<u>\$995,000</u>	<u>\$122,000</u>	<u>\$1,117,000</u>

G. Other Objects

Other objects expenditures consist of debt service principal and interest, dues and fees, insurance and awards. The decrease for fiscal year 2009 is due to the elimination of a contract for occupational and physical therapy services with the Madison Champaign County Educational Services Center. The School District is projecting an increase for fiscal years 2010 through 2012 due primarily to anticipated increases in property and income tax collection fees.

H. Other Financing Uses

Transfers are made from the General Fund to other funds in order to cover deficit fund balances. The School District does not anticipate any transfers from the General Fund to other funds during the forecasted period.

Advances are forecasted to remain consistent from fiscal years 2008 through 2012 to cover special revenue funds that do not receive grant monies in a timely manner.

Other financing uses consist of refund of prior year receipts, which the School District estimates will remain constant from fiscal years 2008 through 2012.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the General Fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecasted based on the Treasurer of the School District's estimates for fiscal years 2008 through 2012.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the General Fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or 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 the future fiscal years.

A. Textbooks and Instructional Materials

The fiscal year 2008 set-aside requirement is \$335,000. There was a positive carryover of \$162,000 in set-asides from fiscal year 2007. The School District anticipates \$394,000 in qualifying expenditures in fiscal year 2008. Therefore, a \$103,000 reserve for textbooks and instructional materials is forecasted. The School District's set-aside reserve is anticipated to range from \$50,000 in fiscal year 2011 to \$126,000 in fiscal year 2012. Reserves are forecasted to decrease from fiscal years 2008 through 2011 due to qualifying expenditures. For fiscal year 2012, the reserve increases due to an estimated increase in the set-aside requirement in combination with decreasing qualifying expenditures based on the School District's textbook replacement schedule.

B. Capital Improvements

The set-aside requirement for fiscal year 2008 is \$335,000. There was no carryover balance from fiscal year 2007. The School District anticipates \$204,000 in qualifying expenditures during the current fiscal year. Therefore, a \$131,000 reserve for capital improvements is forecasted for fiscal year 2008. The School District's set-aside reserve is anticipated to range from \$131,000 in fiscal year 2008 to \$1,078,000 in fiscal year 2012. For each fiscal year, the reserve increases due to the set-aside requirement increasing more than the amount of the forecasted qualifying expenditures.

C. Bus Purchases

At June 30, 2007, the School District had no unspent bus monies. The School District anticipates a \$2,000 bus purchase allowance for a handicap bus and a \$11,000 bus purchase allowance for non-handicap buses during fiscal year 2008. The School District anticipates two bus purchases in fiscal year 2008 for non-handicap bus purchases, leaving a reserve for handicap buses in the amount of \$5,000. This reserve amount includes a \$3,000 carryover balance from fiscal year 2007 for handicap bus purchases that was not recorded by the School District. For fiscal years 2009 through 2012, the School District expects to purchase at least one non-handicap bus per fiscal year. Because the School District does not anticipate the purchase of a handicap bus during the forecast period, the reserve will gradually increase from 2008 through 2012.

D. Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

The School District anticipates receiving \$149,000 in restricted Poverty Based Assistance monies during fiscal year 2008. The School District anticipates spending all of the Poverty Based Assistance funding during the current fiscal year leaving no reserve balance. The School District anticipates spending the full amount of Poverty Based Assistance each fiscal year for 2009 through 2012 as well.

**London City School District
Madison County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, amount, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1998	Bond Issue	\$20,000,000	28 Years	Failed
May 1999	Bond Issue	\$20,000,000	28 Years	Failed
August 2000	Bond Issue	\$30,000,000	28 Years	Failed
August 2000	Income Tax	0.75%	Continuing	Failed
November 2000	Income Tax	0.75%	Continuing	Failed
November 2000	Bond Issue	\$30,000,000	28 Years	Failed
February 2001	Bond Issue	\$30,000,000	28 Years	Failed
May 2001	Bond Issue	\$30,000,000	28 Years	Passed
August 2001	Operating	12.90 mills	Continuing	Passed
May 2003	Operating	8.00 mills	Continuing	Failed
November 2003	Income Tax	1%	5 Years	Failed
March 2004	Income Tax	1%	5 Years	Failed
November 2004	Income Tax	1%	5 Years	Failed
February 2005	Income Tax	1%	5 Years	Passed

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. There are certain funds that annually rely upon advances from the General Fund to meet their obligations. These advances are addressed in Note 7.



Mary Taylor, CPA
Auditor of State

LONDON CITY SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2008**