



**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the London City School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the London City School District, Madison County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 29, 2009

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

As management of the London City School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the basic financial statements and additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities increased by \$903,805.
- Total assets of governmental activities decreased by \$314,359. Capital assets decreased by \$1,461,367. Receivables and other current assets increased by \$1,147,008.
- General revenues accounted for \$19,107,146. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$5,999,516. Total revenues equaled \$25,106,662.
- The School District had \$24,202,857 in expenses related to governmental activities; only \$5,999,516 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements, property taxes, and income taxes) of \$19,107,146 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 London City School District as a financial whole, an entire operating entity.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's major funds with all other non-major funds presented in total in one column. The major funds for the London City School District are the General Fund and the Debt Service Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2008?"

The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds - Most of the School 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 School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

The School District as a Whole

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

(Table 1)
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2008	2007	
<u>Assets:</u>			
Current Assets	\$16,689,770	\$15,542,762	\$1,147,008
Capital Assets	41,133,087	42,594,454	(1,461,367)
<i>Total Assets</i>	<u>57,822,857</u>	<u>58,137,216</u>	<u>(314,359)</u>
<u>Liabilities:</u>			
Other Liabilities	11,128,553	11,162,511	(33,958)
Long-Term Liabilities	27,485,800	28,670,006	(1,184,206)
<i>Total Liabilities</i>	<u>38,614,353</u>	<u>39,832,517</u>	<u>(1,218,164)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	15,403,898	15,718,638	(314,740)
Restricted	2,154,388	2,211,789	(57,401)
Unrestricted	1,650,218	374,272	1,275,946
<i>Total Net Assets</i>	<u>\$19,208,504</u>	<u>\$18,304,699</u>	<u>\$903,805</u>

Current Assets increased by \$1,147,008. This was mainly due to an increase in Equity in Pooled Cash and Cash Equivalents resulting from a significant increase in revenue received from London Academy, a component unit of the School District, during the fiscal year.

Capital Assets decreased by \$1,461,367. This decrease was due to current fiscal year depreciation exceeding current fiscal year additions.

Total Liabilities decreased \$1,218,164. This was due primarily to a decrease in Long-Term Liabilities of \$1,184,206 resulting from annual debt payments made during the fiscal year.

During the fiscal year, Invested in Capital Assets, Net of Related Debt for governmental activities decreased by \$314,740. This decrease was due to current fiscal year depreciation exceeding current fiscal year additions, and principal payments on the capital lease and outstanding debt issues made during the fiscal year. Unrestricted Net Assets for governmental activities increased by \$1,275,946 due mainly to an increase in Equity in Pooled Cash and Cash Equivalents resulting from a significant increase in revenue received from London Academy.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Table 2 shows the changes in net assets for fiscal years 2008 and 2007:

(Table 2)
Change in Net Assets

	2008	2007	Increase/ (Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$3,201,367	\$1,574,760	\$1,626,607
Operating Grants, Contributions and Interest	2,787,915	2,304,710	483,205
Capital Grants and Contributions	10,234	167,980	(157,746)
<i>Total Program Revenues</i>	5,999,516	4,047,450	1,952,066
General Revenues:			
Property Taxes	7,096,934	7,660,552	(563,618)
Income Taxes	3,033,446	2,433,533	599,913
Revenue in Lieu of Taxes	153,597	0	153,597
Grants and Entitlements not Restricted to Specific Programs	8,520,340	8,388,079	132,261
Contributions and Donations	21,423	0	21,423
Investment Earnings	226,579	0	226,579
Miscellaneous	54,827	453,200	(398,373)
<i>Total General Revenues</i>	19,107,146	18,935,364	171,782
<i>Total Revenues</i>	\$25,106,662	\$22,982,814	\$2,123,848

(continued)

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

(Table 2)
Change in Net Assets
(continued)

	2008	2007	Increase/ (Decrease)
<u>Program Expenses:</u>			
Instruction:			
Regular	\$9,124,413	\$10,582,275	(\$1,457,862)
Special	3,461,580	2,365,992	1,095,588
Vocational	322,651	257,219	65,432
Adult/Continuing	45,425	0	45,425
Other	0	30,992	(30,992)
Support Services:			
Pupils	711,515	467,042	244,473
Instructional Staff	1,417,994	956,443	461,551
Board of Education	110,433	0	110,433
Administration	1,767,721	1,484,570	283,151
Fiscal	619,797	458,381	161,416
Operation and Maintenance of Plant	2,236,400	2,080,527	155,873
Pupil Transportation	934,026	716,026	218,000
Central	412,842	179,202	233,640
Operation of Non-Instructional Services:			
Food Service Operations	809,185	682,204	126,981
Other	132,350	171,244	(38,894)
Extracurricular Activities	837,125	743,440	93,685
Interest and Fiscal Charges	1,259,400	1,497,002	(237,602)
<i>Total Expenses</i>	24,202,857	22,672,559	1,530,298
<i>Change in Net Assets</i>	903,805	310,255	593,550
<i>Net Assets at Beginning of Year</i>	18,304,699	17,994,444	310,255
<i>Net Assets at End of Year</i>	\$19,208,504	\$18,304,699	\$903,805

Governmental Activities

Program revenues increased by \$1,952,066 due primarily to a large increase in Charges for Services and Sales of \$1,626,607. The increase in Charges for Services and Sales resulted from a purchased services agreement that the School District entered into with London Academy during the fiscal year. Under this agreement, the School District receives substantially all of London Academy's revenues.

Grants and Entitlements not Restricted to Specific Programs accounted for \$8,520,340 of revenues for governmental activities. Property Taxes accounted for \$7,096,934 of revenues for governmental activities. Income Taxes accounted for \$3,033,446 for a total of \$18,650,720 of revenue coming from Property Taxes, Income Taxes and Grants and Entitlements not Restricted to Specific Programs.

Program Expenses increased by \$1,530,298. Regular Instruction decreased 1,457,862, while Special Instruction increased \$1,095,588. The differences between these programs related to the School District implementing a strategic plan which redirects resources to special education. Support Services increased by \$1,868,537. This increase was related to restrictions on spending during the prior fiscal year and the School District implementing spending in line with the strategic plan to improve student achievement.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,639,670 and expenditures of \$23,999,162. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of \$1,165,041. This was due to an increase in revenues received from London Academy for the purchased services agreement.

The Debt Service Fund balance decreased \$128,127. This was the result of revenues for the fiscal year (property taxes and homestead and rollback reimbursements) being less than the annual debt payments the School District incurred.

General Fund – Budget Highlights

The School 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 2008, the School 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 16, 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 and final estimated revenues were \$17,535,019 due to the School District only approving one amended certificate of estimated resources during the fiscal year.

Final estimated expenditures were \$18,525,953, with original estimated expenditures of \$18,508,314 resulting in a difference of \$17,639, which is not significant.

Actual revenues were \$3,366,329 higher than the final estimated revenues. This difference is due to the School District receiving higher than anticipated State foundation monies.

The School District's actual expenditures were \$304,828 higher than final estimated expenditures during the fiscal year. This difference was due to higher than anticipated special education expenses that resulted from the School District implementing the strategic plan.

The School District's ending actual fund balance in the General Fund was \$3,035,324, while the final budgeted fund balance had a deficit of \$26,812.

Capital Assets

At the end of fiscal year 2008, the School District had \$41,133,087 invested in capital assets (net of accumulated depreciation). Additions to capital assets included a wheelchair lift, leased computers and equipment, two new buses and other vehicles. The School District's only disposals during the fiscal year were vehicles. For additional information regarding the School District's capital assets, refer to Note 9 in the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Debt

At June 30, 2008, the School District had \$26,288,372 in bonds outstanding, \$1,385,000 of which is due within one year.

For further information regarding the School District's long-term obligations, refer to Note 15 in the basic financial statements

Current Issues

London City Schools has been selected to participate in the State Personnel Development Grant. This initiative is aligned with London City School's Strategic Plan. All buildings will have very specific building level goals that help the School District reach its goals. The two academic areas of focus are reading and math. The buildings will implement their action steps, monitor for effectiveness, and modify as necessary. London City Schools will be part of the State of Ohio Department of Education beta test on the effectiveness of this program.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. For questions about this report or additional information, contact Mr. Britt Lewis, Treasurer of London City School District, 60 South Walnut Street, London, Ohio 43140.

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**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental	London
	Activities	Academy
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$6,346,568	\$37,382
Materials and Supplies Inventory	9,273	0
Accrued Interest Receivable	8,059	0
Accounts Receivable	52,536	0
Intergovernmental Receivable	507,162	112,097
Prepaid Items	753	0
Income Taxes Receivable	1,370,307	0
Property Taxes Receivable	7,541,724	0
Due from Component Unit	38,178	0
Revenue in Lieu of Taxes Receivable	531,736	0
Deferred Charges	283,474	0
Capital Assets:		
Land	884,550	0
Depreciable Capital Assets, Net	40,248,537	39,989
<i>Total Assets</i>	57,822,857	189,468
<u>Liabilities:</u>		
Accounts Payable	237,413	0
Accrued Wages and Benefits Payable	2,060,456	0
Intergovernmental Payable	672,847	0
Deferred Revenue	7,307,473	0
Accrued Interest Payable	85,364	0
Notes Payable	765,000	0
Due to Primary Government	0	38,178
Long-Term Liabilities:		
Due Within One Year	1,616,925	0
Due in More Than One Year	25,868,875	0
<i>Total Liabilities</i>	38,614,353	38,178
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	15,403,898	39,989
Restricted for Debt Service	1,774,302	0
Restricted for Capital Projects	39,553	0
Restricted for Other Purposes	169,526	111,301
Restricted for Set-Asides	171,007	0
Unrestricted	1,650,218	0
<i>Total Net Assets</i>	\$19,208,504	\$151,290

See accompanying notes to the basic financial statements

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit London Academy
<u>Governmental Activities:</u>						
Instruction:						
Regular	\$9,124,413	\$2,661,887	\$136,586	\$0	(\$6,325,940)	\$0
Special	3,461,580	8,671	1,153,059	0	(2,299,850)	0
Vocational	322,651	0	33,191	0	(289,460)	0
Adult/Continuing	45,425	0	47,723	0	2,298	0
Support Services:						
Pupils	711,515	0	489,046	0	(222,469)	0
Instructional Staff	1,417,994	0	314,187	0	(1,103,807)	0
Board of Education	110,433	0	0	0	(110,433)	0
Administration	1,767,721	0	0	0	(1,767,721)	0
Fiscal	619,797	0	0	0	(619,797)	0
Operation and Maintenance of Plant	2,236,400	0	0	0	(2,236,400)	0
Pupil Transportation	934,026	0	23,893	10,234	(899,899)	0
Central	412,842	940	21,184	0	(390,718)	0
Operation of Non-Instructional Services:						
Food Service Operations	809,185	331,918	353,042	0	(124,225)	0
Other	132,350	0	136,372	0	4,022	0
Extracurricular Activities	837,125	197,951	79,632	0	(559,542)	0
Interest and Fiscal Charges	1,259,400	0	0	0	(1,259,400)	0
Total Governmental Activities	\$24,202,857	\$3,201,367	\$2,787,915	\$10,234	(18,203,341)	0
<u>Component Unit:</u>						
London Academy	\$2,555,036	\$1,001	\$1,914,994	\$10,541	0	(628,500)
<u>General Revenues:</u>						
Property Taxes Levied for:						
General Purposes					5,229,375	0
Debt Service					1,867,559	0
Income Taxes					3,033,446	0
Revenue In Lieu of Taxes					153,597	0
Grants and Entitlements not Restricted to Specific Programs					8,520,340	0
Contributions and Donations					21,423	0
Investment Earnings					226,579	0
Miscellaneous					54,827	0
Total General Revenues					19,107,146	0
Change in Net Assets					903,805	(628,500)
Net Assets at Beginning of Year - Restated (See Note 23)					18,304,699	779,790
Net Assets at End of Year					\$19,208,504	\$151,290

See accompanying notes to the basic financial statements

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,084,666	\$1,837,003	\$253,892	\$6,175,561
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	171,007	0	0	171,007
Receivables:				
Property Taxes	5,954,585	1,587,139	0	7,541,724
Revenue in Lieu of Taxes	531,736	0	0	531,736
Income Taxes	1,370,307	0	0	1,370,307
Intergovernmental	0	0	507,162	507,162
Accounts	52,536	0	0	52,536
Accrued Interest	8,059	0	0	8,059
Interfund	163,655	0	0	163,655
Prepaid Items	753	0	0	753
Materials and Supplies Inventory	0	0	9,273	9,273
Due From Component Unit	38,178	0	0	38,178
Total Assets	\$12,375,482	\$3,424,142	\$770,327	\$16,569,951
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$207,722	\$0	\$29,691	\$237,413
Accrued Wages and Benefits Payable	1,801,385	0	259,071	2,060,456
Intergovernmental Payable	581,065	0	91,782	672,847
Accrued Interest Payable	3,778	0	0	3,778
Interfund Payable	0	0	163,655	163,655
Notes Payable	765,000	0	0	765,000
Deferred Revenue	6,774,328	1,587,139	470,615	8,832,082
Total Liabilities	10,133,278	1,587,139	1,014,814	12,735,231
<u>Fund Balances:</u>				
Reserved for Encumbrances	133,920	0	19,265	153,185
Reserved for Textbooks and Instructional Materials	171,007	0	0	171,007
Unreserved, Undesignated (Deficit), Reported in:				
General Fund	1,937,277	0	0	1,937,277
Special Revenue Funds	0	0	(303,043)	(303,043)
Debt Service Fund	0	1,837,003	0	1,837,003
Capital Projects Funds	0	0	39,291	39,291
Total Fund Balances (Deficit)	2,242,204	1,837,003	(244,487)	3,834,720
Total Liabilities and Fund Balances	\$12,375,482	\$3,424,142	\$770,327	\$16,569,951

See accompanying notes to the basic financial statements

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total Governmental Fund Balances		\$3,834,720
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	884,550	
Other capital assets	53,063,389	
Accumulated depreciation	(12,814,852)	
Total capital assets		41,133,087
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	234,251	
Revenue in lieu of taxes	531,736	
Income taxes	249,829	
Intergovernmental	470,615	
Due from Component Unit	38,178	
		1,524,609
 Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
		283,474
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(25,224,864)	
Accretion on bonds	(545,321)	
Loss on refunding	755,363	
Premium on debt issue	(1,273,550)	
Accrued interest on bonds	(81,586)	
Capital leases	(269,612)	
Compensated absences	(927,816)	
Total liabilities		(27,567,386)
 Net Assets of Governmental Activities		 \$19,208,504

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, 2008**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$5,199,909	\$1,856,374	\$0	\$7,056,283
Revenue in Lieu of Taxes	286,531	0	0	286,531
Income Taxes	2,783,617	0	0	2,783,617
Intergovernmental	8,756,029	338,059	1,873,501	10,967,589
Investment Earnings	42,554	0	184,025	226,579
Tuition and Fees	446,935	0	0	446,935
Extracurricular Activities	40,134	0	158,757	198,891
Customer Sales and Services	2,184,537	0	331,918	2,516,455
Contributions and Donations	1,000	0	100,055	101,055
Rent	908	0	0	908
Miscellaneous	50,152	0	4,675	54,827
Total Revenues	19,792,306	2,194,433	2,652,931	24,639,670
Expenditures:				
Current:				
Instruction:				
Regular	8,187,039	0	303,019	8,490,058
Special	2,399,062	0	866,153	3,265,215
Vocational	291,068	0	0	291,068
Adult/Continuing	0	0	45,425	45,425
Support Services:				
Pupils	663,179	0	15,768	678,947
Instructional Staff	839,762	0	343,189	1,182,951
Board of Education	83,396	0	27,037	110,433
Administration	1,666,834	0	93	1,666,927
Fiscal	542,791	52,107	0	594,898
Operation and Maintenance of Plant	2,029,863	0	170,252	2,200,115
Pupil Transportation	977,427	0	0	977,427
Central	367,317	0	30,383	397,700
Operation of Non-Instructional Services:				
Food Service Operations	0	0	729,646	729,646
Other	0	0	132,350	132,350
Extracurricular Activities	441,709	0	260,058	701,767
Capital Outlay	125,964	0	0	125,964
Debt Service:				
Principal Retirement	72,481	1,270,000	0	1,342,481
Interest and Fiscal Charges	65,337	1,000,453	0	1,065,790
Total Expenditures	18,753,229	2,322,560	2,923,373	23,999,162
Excess of Revenues Over (Under) Expenditures	1,039,077	(128,127)	(270,442)	640,508
Other Financing Sources:				
Inception of Capital Lease	125,964	0	0	125,964
Net Change in Fund Balances	1,165,041	(128,127)	(270,442)	766,472
Fund Balances at Beginning of Year	1,077,163	1,965,130	25,955	3,068,248
Fund Balances at End of Year (Deficit)	<u>\$2,242,204</u>	<u>\$1,837,003</u>	<u>(\$244,487)</u>	<u>\$3,834,720</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, 2008**

Net Change in Fund Balances - Total Governmental Funds \$766,472

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	379,201	
Depreciation expense	(1,840,568)	
Excess of capital outlay over depreciation expense		(1,461,367)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	40,651	
Revenue in lieu of taxes	(132,934)	
Income taxes	249,829	
Intergovernmental	271,268	
Due from component unit	38,178	
		466,992

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 governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:

Amortization of bond issuance costs	(15,961)	
Amortization of bond premium	71,965	
Amortization of deferred loss	(125,894)	
Decrease in accrued interest payable	8,451	
Accretion on bonds	(132,171)	
		(193,610)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(125,964)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Bond payments	1,270,000	
Capital lease payments	72,481	
Total long-term debt repayment		1,342,481

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable		108,801
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Change in Net Assets of Governmental Activities \$903,805

See accompanying notes to the basic financial statements

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$8,210,163	\$8,210,163	\$5,838,209	(\$2,371,954)
Revenue in Lieu of Taxes	286,531	286,531	286,531	0
Income Taxes	1,834,147	1,834,147	2,962,283	1,128,136
Intergovernmental	5,421,442	5,421,442	8,756,029	3,334,587
Investment Earnings	21,358	21,358	34,495	13,137
Tuition and Fees	276,727	276,727	446,935	170,208
Extracurricular Activities	24,850	24,850	40,134	15,284
Customer Sales and Services	1,447,949	1,447,949	2,484,537	1,036,588
Contributions and Donations	619	619	1,000	381
Rent	562	562	908	346
Miscellaneous	10,671	10,671	50,287	39,616
<i>Total Revenues</i>	<u>17,535,019</u>	<u>17,535,019</u>	<u>20,901,348</u>	<u>3,366,329</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,380,306	8,713,692	8,497,654	216,038
Special	1,573,311	2,039,039	2,410,532	(371,493)
Vocational	270,363	270,365	295,822	(25,457)
Support Services:				
Pupils	516,959	651,965	622,478	29,487
Instructional Staff	724,380	734,583	788,973	(54,390)
Board of Education	96,619	105,455	80,170	25,285
Administration	1,583,343	1,603,530	1,615,666	(12,136)
Fiscal	505,188	505,769	509,867	(4,098)
Operation and Maintenance of Plant	1,949,964	1,955,464	1,953,878	1,586
Pupil Transportation	976,526	990,672	1,053,302	(62,630)
Central	199,941	202,005	276,041	(74,036)
Extracurricular Activities	449,464	471,464	444,448	27,016
Debt Service:				
Principal Retirement	230,000	230,000	230,000	0
Interest and Fiscal Charges	51,950	51,950	51,950	0
<i>Total Expenditures</i>	<u>18,508,314</u>	<u>18,525,953</u>	<u>18,830,781</u>	<u>(304,828)</u>
Excess of Revenues Over (Under) Expenditures	<u>(973,295)</u>	<u>(990,934)</u>	<u>2,070,567</u>	<u>3,061,501</u>
<u>Other Financing Sources:</u>				
Transfers In	9,872	9,872	0	(9,872)
Advances In	21,647	21,647	32,154	10,507
<i>Total Other Financing Sources</i>	<u>31,519</u>	<u>31,519</u>	<u>32,154</u>	<u>635</u>
<i>Net Change in Fund Balance</i>	(941,776)	(959,415)	2,102,721	3,062,136
<i>Fund Balance at Beginning of Year</i>	738,290	738,290	738,290	0
<i>Prior Year Encumbrances Appropriated</i>	194,313	194,313	194,313	0
<i>Fund Balance at End of Year (Deficit)</i>	<u>(\$9,173)</u>	<u>(\$26,812)</u>	<u>\$3,035,324</u>	<u>\$3,062,136</u>

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$17,190	\$51,114
Receivables:		
Accrued Interest	748	0
 Total Assets	 17,938	 \$51,114
<u>Liabilities:</u>		
Accounts Payable	0	\$135
Due to Other Governments	0	132
Due to Students	0	50,847
 Total Liabilities	 0	 \$51,114
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$17,938	

See accompanying notes to the basic financial statements

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private Purpose Trust
	<u>Scholarships</u>
<u>Additions:</u>	
Interest	\$1,615
<u>Deductions:</u>	
Scholarships	<u>867</u>
<i>Change in Net Assets</i>	748
<i>Net Assets at Beginning of Year</i>	<u>17,190</u>
<i>Net Assets at End of Year</i>	<u><u>\$17,938</u></u>

See accompanying notes to the basic financial statements

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**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately 70 square miles. The School 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 83 non-certificated employees, 156 certificated full-time teaching personnel and 16 administrative employees who provide services to 2,157 students. The School District currently operates four instructional buildings, one administrative building 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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For London City School District, this includes general operations, food service, and student related activities of the School District.

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

London Academy

London Academy (the “Academy”) is a legally separate not-for-profit organization served by an appointed five-member Board of Directors which is appointed by the London City School District. Also, London City School District can impose its will on the Academy. Therefore, the Academy is reflected as a component unit of the London City School District. The Academy, under a contractual agreement with the London City School 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 School District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses, and others, including home schooled students. London Academy operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from London Academy, 60 South Walnut Street, London, Ohio 43140.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

The information presented in Notes 2 through 26 relates to the primary government. Information related to the discretely presented component unit is presented in Note 27.

The School District participates in six organizations, three 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 the Metropolitan Educational Council, the Tolles Career and Technical Center, the Central Madison Joint Recreation District, the Schools of Ohio Risk Sharing Authority, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the London Public Library. These organizations are presented in Notes 18, 19, 20 and 21 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the London City School 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School 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 School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School 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 School 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 School 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 School District.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School 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.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds:

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Fiduciary Funds:

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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, grants, accrued interest, tuition and fees, extracurricular activities, and customer sales and services.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

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 2008 amounted to \$42,554, which includes \$16,276 from other School District funds.

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for the purchase of textbooks and instructional materials. See Note 22 for additional information regarding set-asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. 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.

I. Capital Assets

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

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

All reported capital assets, except land, 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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

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

K. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

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

M. 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, 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. Long-term notes, 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
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and textbooks and instructional materials.

O. Net Assets

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

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

P. 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 control has been established by the Board of Education at the object level within each fund and function.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Internal Activity

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

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

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

R. 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 AND COMPLIANCE

A. Accountability

At June 30, 2008, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Education Management Information System	\$53
Entry Year Grant	67
Poverty Based Assistance	35,686
Adult Basic Education	10,796
Title IV-B	167,123
Bilingual Education Program	2,943
Title I	162,016
Title V	1,302
Drug Free Schools	6,062
IDEA Preschool	12,266
Title II - A, Improving Teacher Quality	53,261

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

B. Compliance

The General Fund and the Miscellaneous State Grants Special Revenue Fund had original appropriations in excess of original estimated revenues and available fund balances of \$9,173 and \$36,870 respectively, for the fiscal year ended June 30, 2008.

**LONDON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

The following funds had final appropriations in excess of final estimated revenues and available fund balance for the fiscal year ended June 30, 2008.

Funds	Amounts
General Fund	\$26,812
Special Revenue Funds:	
District Managed Student Activity	22,704
LPD	1,602
Miscellaneous State Grants	47,260
Adult Basic Education	1,399
Title IV-B	126,931
Bilingual Education Program	8,626
Title I	158,991
Title II	1,353
Drug Free Schools	12,662
Title II - A, Improving Teacher Quality	73,013
Miscellaneous Federal Grants	7,797
Capital Projects Fund:	
Permanent Improvement	12,991

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2008:

Fund Name/Function/Object	Final Appropriations	Final Expenditures	Excess
General Fund:			
Regular Instruction:			
Purchased Services	\$973,824	\$1,122,158	(\$148,334)
Materials and Supplies	235,063	303,038	(67,975)
Special Instruction:			
Salaries	781,647	859,482	(77,835)
Benefits	333,984	426,338	(92,354)
Purchased Services	717,749	815,574	(97,825)
Vocational Instruction:			
Salaries	200,173	216,328	(16,155)
Benefits	65,256	76,399	(11,143)
Pupils:			
Purchased Services	43,912	43,965	(53)
Other	260	335	(75)

(continued)

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

Fund Name/Function/Object	Final Appropriations	Final Expenditures	Excess
General Fund:			
Instructional Staff:			
Salaries	\$404,368	\$459,108	(\$54,740)
Benefits	298,753	304,157	(5,404)
Board of Education:			
Other	36,500	41,096	(4,596)
Administration:			
Salaries	1,078,913	1,158,971	(80,058)
Materials and Supplies	25,205	25,518	(313)
Capital Outlay	23,303	24,304	(1,001)
Fiscal:			
Purchased Services	52,220	65,866	(13,646)
Other	208,500	211,612	(3,112)
Capital Outlay	0	1,950	(1,950)
Operation and Maintenance of Plant:			
Salaries	464,508	499,122	(34,614)
Materials and Supplies	95,672	122,908	(27,236)
Pupil Transportation:			
Salaries	402,940	406,239	(3,299)
Capital Outlay	181,146	290,174	(109,028)
Central:			
Benefits	36,481	44,198	(7,717)
Purchased Services	53,924	78,617	(24,693)
Materials and Supplies	9,377	25,464	(16,087)
Capital Outlay	2,064	38,869	(36,805)
Debt Service Fund:			
Debt Service:			
Interest and Fiscal Charges	535,350	1,000,453	(465,103)

The Treasurer will monitor budgetary controls more closely in the future to alleviate such compliance issues.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the School 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).

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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 as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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	\$1,165,041
Adjustments:	
Revenue Accruals	344,978
Expenditure Accruals	95,988
Unrecorded Cash Fiscal Year 2007	1,901,100
Unrecorded Cash Fiscal Year 2008	(1,263,000)
Advances	32,154
Encumbrances	(173,540)
Budget Basis	\$2,102,721

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active monies are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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);
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: Custodial credit risk for deposits is the risk that in the event of bank failure, the London City School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$6,421,671 of the School District's bank balance of \$6,521,671 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution. The School District has no policy in which custodial credit risk is addressed.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 semi-annually, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in calendar year 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Madison County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 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, 2008, 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 were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount received as an advance prior to June 30, 2008, was \$1,262,800 in the General Fund and \$485,000 in the Debt Service Fund. The amount received as an advance prior to June 30, 2007, was \$1,901,000 in the General Fund and \$713,900 in the Debt Service Fund.

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 – PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$261,096,690	90.18%	\$267,066,450	90.68%
Public Utility Personal	9,662,390	3.34%	8,404,680	2.85%
General Business Personal	18,769,578	6.48%	19,055,890	6.47%
Total Assessed Value	\$289,528,658	100.00%	\$294,527,020	100.00%
Tax rate per \$1,000 of assessed valuation	\$45.30		\$45.30	

NOTE 7 – INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2006 and is a continuous levy. 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 School 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, 2008, consisted of property taxes, revenue in lieu of taxes, income taxes, intergovernmental grants, accounts, accrued interest, interfund, and due from component unit. All receivables, except for revenue in lieu of taxes, are considered collectible in full and will be received within one fiscal year 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. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Revenue in lieu of taxes is collected over the term of the agreement.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Food Service - Federal Reimbursements	\$36,547
Adult Basic Literacy Education	17,532
IDEA	165,970
Title I	202,319
Title IV - A, Safe and Drug Free Schools	11,555
Title II - A, Improving Teacher Quality	54,864
Title V	4,845
Title II - D	1,516
Title III	12,014
Total Intergovernmental Receivables	\$507,162

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 – RECEIVABLES (Continued)

Revenue in Lieu of Taxes

The School District receives revenue in lieu of taxes from several compensation/donation agreements with the City of London. Stanley Electric Company, Pizzuti Equities, Staples, and VAT BST entered into an enterprise zone agreement with the City of London to allow these businesses a tax exemption on real and personal property for the purpose of building and improving facilities and purchasing new equipment. The Stanley Electric Company agreement will expire during fiscal year 2010. The Pizzuti Equities, Staples, and VAT BST agreements will expire during fiscal year 2012.

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	<u>6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/08</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$884,550	\$0	\$0	\$884,550
Construction in Progress	0	0	0	0
Depreciated	884,550	0	0	884,550
Capital Assets Being Depreciated:				
Land Improvements	3,746,544	0	0	3,746,544
Buildings and Improvements	46,407,518	0	0	46,407,518
Furniture, Fixtures and Equipment	863,368	179,101	0	1,042,469
Vehicles	949,990	200,100	(139,604)	1,010,486
Textbooks and Software	856,372	0	0	856,372
Total Capital Assets Being Depreciated	<u>52,823,792</u>	<u>379,201</u>	<u>(139,604)</u>	<u>53,063,389</u>
Less Accumulated Depreciation:				
Land Improvements	(1,629,455)	(169,291)	0	(1,798,746)
Buildings and Improvements	(7,946,347)	(1,429,375)	0	(9,375,722)
Furniture, Fixtures and Equipment	(332,385)	(74,891)	0	(407,276)
Vehicles	(676,110)	(72,747)	139,604	(609,253)
Textbooks and Software	(529,591)	(94,264)	0	(623,855)
Total Accumulated Depreciation	<u>(11,113,888)</u>	<u>(1,840,568) *</u>	<u>139,604</u>	<u>(12,814,852)</u>
Total Capital Assets Being Depreciated, Net	<u>41,709,904</u>	<u>(1,461,367)</u>	<u>0</u>	<u>40,248,537</u>
Governmental Activities Capital Assets, Net	<u>\$42,594,454</u>	<u>(\$1,461,367)</u>	<u>\$0</u>	<u>\$41,133,087</u>

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 – CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$727,903	
Special	183,984	
Vocational	23,432	
Support Services:		
Pupils	41,202	
Instructional Staff	237,168	
Administration	136,708	
Fiscal	18,224	
Operation and Maintenance of Plant	83,659	
Pupil Transportation	156,289	
Central	11,716	
Operation of Non-Instructional Services:		
Food Service Operations	89,276	
Extracurricular Activities	131,007	
Total Depreciation Expense	\$1,840,568	

NOTE 10 – RISK MANAGEMENT

A. Property and Liability Insurance

The School 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 2008, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 19) for property, fleet, and liability insurance. The types and amounts of coverage follow:

Coverage Type	Limits	Deductible
Property	\$54,971,234	\$1,000
Earth Movement	2,000,000	50,000
Flood Limit	2,000,000	50,000
Equipment Breakdown:	25,000,000	1,000
CFC Refrigerants	25,000	1,000
Hazardous Substance Contamination	50,000	1,000
Spoilage	10,000	1,000
Expediting Expenses	50,000	1,000

(continued)

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 – RISK MANAGEMENT (Continued)

Coverage Type	Limits	Deductible
Crime Coverage:		
Employee Dishonesty Including Faithful Performance of Duty	\$50,000	\$1,000
Forgery or Alteration	50,000	1,000
Computer Fraud	50,000	1,000
Theft, Disappearance and Destruction	50,000	1,000
General Liability:		
Bodily Injury and Property Damage	11,000,000	None
Personal Injury/Advertising Liability	11,000,000	None
Products/Completed Operations	11,000,000	None
Employee Benefits Liability	11,000,000	None
Employers Stop Gap Liability:		
Bodily Injury by Accident (Each Accident)	1,000,000	None
Bodily Injury by Disease (Policy Limit)	1,000,000	None
Bodily Injury by Disease (Each Employee)	1,000,000	None
Aggregate Limit	1,000,000	None
General Annual Aggregate	13,000,000	None
Fire Legal Liability	500,000	None
Medical Payments Occurrence/Aggregate	5,000/25,000	None
Educators' Legal Liability - Wrongful Acts		
Coverage Per Occurrence	11,000,000	5,000
Automobile Liability:		
Bodily Injury and Property Damage (Per Occurrence)	11,000,000	None
Medical Payments Occurrence/Aggregate	5,000/25,000	None
Uninsured/Underinsured Motorist	1,000,000	None
Automobile Physical Damage	Actual Cash Value (ACV)	1,000
Garagekeepers Physical Damage	ACV (100,000 maximum)	1,000

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 – RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$232,561, \$215,644, and \$203,868, respectively; 43.64 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,153,326, \$1,113,000, and \$1,075,572, respectively; 82.39 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$21,364 made by the plan members and \$10,011 made by the School District.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$156,256, \$107,176, and \$109,284, respectively; 43.64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$16,757, \$21,952, and \$24,924, respectively; 43.64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost-sharing, multiple-employer defined benefit Health 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 visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorized 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 postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$88,717, \$79,500, and \$76,827, respectively; 82.39 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 – EMPLOYEE BENEFITS

A. 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 ten to twenty 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 ten 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 300 days for teachers and administrators. Classified employees may accumulate up to a maximum of 260 days.

Employees who have been employed by the School District for a minimum of ten 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 to a maximum of 75 days for teachers and administrators and 65 days for classified employees. As a further incentive to minimize sick leave usage, the Board will pay an additional eight days of bonus retirement pay beyond the cap if, in the year of retirement, the employee has used less than eight days of sick leave and has the maximum sick leave accumulation.

B. Employee Benefits

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

C. Deferred Compensation

School 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
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 – CAPITAL LEASE – LESSEE DISCLOSURE

In fiscal year 2008 and in prior fiscal years, the School District entered into capitalized leases for a copier and computer hardware. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The equipment acquired by the leases was initially capitalized in the amount of \$345,350 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2008 totaled \$72,481 and were paid from the General Fund.

The assets acquired through the capital lease are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Buildings and Improvements	\$345,350	(\$34,535)	\$310,815

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	Total Payments
2009	\$82,090
2010	82,090
2011	82,090
2012	45,133
Total	291,403
Less: Amount Representing Interest	(21,791)
Present Value of Net Minimum Lease Payments	\$269,612

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due Within One Year
<u>Governmental Activities:</u>					
School Facilities Construction and Improvement Bonds 2001					
Serial Bonds - 4.92%	\$10,955,000	\$0	\$1,025,000	\$9,930,000	\$1,130,000
London Refunding Series 2005					
Serial Bonds - 3.00% - 4.35%	5,870,000	0	115,000	5,755,000	120,000
Term Bonds - 3.00% - 4.35%	750,000	0	0	750,000	0
Capital Appreciation Bonds - 10.33%	909,909	0	0	909,909	0
Accretion on Capital					
Appreciation Bonds	222,655	53,732	0	276,387	0
Premium on Refunding Series 2005	637,662	0	27,724	609,938	0
Loss on Refunding Series 2005	(416,628)	0	(59,518)	(357,110)	0
London Refunding Series 2006					
Serial Bonds - 3.50% - 4.00%	5,940,000	0	130,000	5,810,000	135,000
Term Bonds - 3.50% - 4.00%	1,070,000	0	0	1,070,000	0
Capital Appreciation Bonds - 10.15%	999,955	0	0	999,955	0
Accretion on Capital					
Appreciation Bonds	190,495	78,439	0	268,934	0
Premium on Refunding Series 2006	707,853	0	44,241	663,612	0
Loss on Refunding Series 2006	(464,629)	0	(66,376)	(398,253)	0
Capital Leases	216,129	125,964	72,481	269,612	72,266
Compensated Absences	1,036,617	105,601	214,402	927,816	159,659
Total Governmental Activities					
Long-Term Obligations	<u>\$28,625,018</u>	<u>\$363,736</u>	<u>\$1,502,954</u>	<u>\$27,485,800</u>	<u>\$1,616,925</u>

School Facilities Construction and Improvement Bonds 2001 - On October 16, 2001, the School 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 will be repaid from the Debt Service Fund. During fiscal year 2006, the School District did two advance refundings for portions of the 2001 bonds in the amount of \$15,944,864.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (Continued)

London Refunding Series Bonds 2005 - On October 13, 2005, the School 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. At June 30, 2008, \$7,784,909 of the refunded bonds were 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 2008 was \$53,732.

The bonds will be retired from the Debt Service Fund.

London Refunding Series Bonds 2006 - On January 5, 2006, the School 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. At June 30, 2008, \$8,159,955 of the refunded bonds were outstanding.

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

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

The capital appreciation bonds issued at \$999,955, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2015 in the amount of \$2,415,000. Accretion on the capital appreciation bonds for fiscal year 2008 was \$78,439.

The bonds will be retired from the Debt Service Fund.

Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund and the Food Service, Poverty Based Assistance, Title VI-B, Title I, IDEA Preschool, and Improving Teacher Quality Special Revenue Funds.

The School District's overall legal debt margin was \$712,345 with an unvoted debt margin of \$273,839 at June 30, 2008.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Term Bonds	Total
2009	\$1,385,000	\$954,243	\$0	\$0	\$0	\$2,339,243
2010	1,670,000	898,770	0	0	0	2,568,770
2011	1,815,000	833,055	0	0	0	2,648,055
2012	1,965,000	759,150	0	0	0	2,724,150
2013	2,325,000	661,425	0	0	0	2,986,425
2014-2018	5,200,000	2,271,743	1,909,864	3,030,136	535,000	12,946,743
2019-2023	2,375,000	1,450,613	0	0	595,000	4,420,613
2024-2028	3,035,000	775,504	0	0	690,000	4,500,504
2029-2030	1,725,000	75,588	0	0	0	1,800,588
Total	<u>\$21,495,000</u>	<u>\$8,680,091</u>	<u>\$1,909,864</u>	<u>\$3,030,136</u>	<u>\$1,820,000</u>	<u>\$36,935,091</u>

NOTE 16 – NOTES PAYABLE

Activity related to the School District's tax anticipation notes payable is as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08
<u>Governmental Activities:</u>				
Tax Anticipation Notes - 5.75%	<u>\$995,000</u>	<u>\$0</u>	<u>\$230,000</u>	<u>\$765,000</u>

The notes are shown as a liability on the fund financial statements in the General Fund which received the proceeds. The proceeds were used for capital improvements.

The annual maturities of the tax anticipation notes as of June 30, 2008 are as follows:

Tax Anticipation Notes			
Fiscal year Ending June 30,	Principal	Interest	Total
2009	\$240,000	\$38,438	\$278,438
2010	255,000	24,207	279,207
2011	270,000	8,438	278,438
Total	<u>\$765,000</u>	<u>\$71,083</u>	<u>\$836,083</u>

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 – INTERFUND ACTIVITY

Interfund balances at June 30, 2008, consist of the following interfund receivable and payable:

		Receivable
		General Fund
	Other	
Payable	Governmental Funds	\$163,655

During fiscal year 2008, several Nonmajor Governmental Funds had negative cash balances. The General Fund made advances in the total amount of \$163,655 to eliminate the negative balances in these Nonmajor Governmental Funds.

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Council (MEC)

The School 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 (18 school districts) 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 School District paid \$2,500 to MEC during fiscal year 2008.

Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

B. 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.

C. 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, London City School 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 CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 19 – PUBLIC ENTITY SHARED RISK POOL

Schools of Ohio Risk Sharing Authority

The School 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 School District pays an annual premium to SORSA for this coverage. The premium for fiscal year 2008 equaled \$66,637 for property, fleet, and liability insurance. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage. In the event that the School District would withdraw from SORSA, the School 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 School District would not be held responsible for any outstanding claims.

NOTE 20 – INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 21 – RELATED ORGANIZATION

London Public Library

The London Public Library 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 London City School 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 School District for operational subsidies. Although the School 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 22 – SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 22 – SET-ASIDE CALCULATIONS (Continued)

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2007	\$161,972	\$0
Current Fiscal Year Set-aside Requirement	335,445	335,445
Reduction in Requirement Based on Revised Legislation	0	0
Current Fiscal Year Offsets	0	0
Qualifying Disbursements	(326,410)	(652,366)
Set-aside Reserve Balance as of June 30, 2008	\$171,007	(\$316,921)
Required Set-aside Balances Carried Forward to FY 2009	\$171,007	\$0

Although the School District had offsets and qualifying expenditures for capital acquisitions that exceeded the set-aside requirements, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore are not presented as being carried forward to the next fiscal year.

NOTE 23 – RESTATEMENT OF PRIOR YEAR FUND EQUITY

During fiscal year 2008, it was determined that the Revenue in Lieu of Taxes Receivable and the deferred loss on refunding were not recorded properly. The full amount of the receivable should have been included during fiscal year 2007. The deferred loss had not been recorded by the School District. Restatements were necessary to correct these errors in the prior fiscal year.

The effect of this change resulted in the following restatement of net assets:

	Governmental Activities
Net Assets, June 30, 2007	\$16,758,772
Revenue in Lieu of Taxes Receivable	664,670
Loss on Refundings	881,257
Adjusted Net Assets, June 30, 2007	\$18,304,699

NOTE 24 – CONTINGENCIES

A. Grants

The School 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 24 – CONTINGENCIES (Continued)

B. Litigation

The School District is currently not party to any legal proceedings.

NOTE 25 – RELATED PARTY TRANSACTION

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

The Academy is required annually to pay to the School District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.03(C) of the Ohio Revised Code, such amounts as are mutually agreed, including fees for any services to the Academy by the Sponsor.

During fiscal year 2008, the Academy paid London City School District \$2,330,334 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.

NOTE 26 – SUBSEQUENT EVENT NOTE

On August 18, 2008 the School District Board of Education passed a resolution approving the exchange of property between the City of London and the School District. The School District will convey to the City the property where school facilities are presently located in exchange for a parcel of property of approximately fifty acres to be the site of the new school facilities. The property exchange will take place on September 1, 2009. The School District will begin leasing the property where school facilities are presently located from the City on September 1, 2009.

NOTE 27 – DISCRETELY PRESENTED COMPONENT UNIT

London Academy

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

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

A. Basis Of Presentation

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 27 – DISCRETELY PRESENTED COMPONENT UNIT (Continued)

B. Measurement Focus and Basis of Accounting

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

C. Cash and Cash Equivalents

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

D. Intergovernmental Receivable

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

E. Capital Assets

A summary of London Academy's capital assets at June 30, 2008 follows:

Furniture, Fixtures and Equipment	\$88,621
Less: Accumulated Depreciation	<u>(48,632)</u>
Capital Assets, Net	<u><u>\$39,989</u></u>

F. Due to Primary Government

London Academy had \$38,178 due to the Primary Government at fiscal year-end for the payment of services in accordance with a purchased service agreement.

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LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Program/ Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program - Cash Assistance	2008	10.553	\$46,084	\$0	\$46,084	\$0
School Breakfast Program			46,084	0	46,084	0
National School Lunch Program						
Cash Assistance	2008	10.555	219,136	0	219,136	0
Non-Cash Assistance (Food Distribution)	2008	10.555	0	41,234	0	41,234
Total National School Lunch Program			219,136	41,234	219,136	41,234
<i>Total Nutrition Cluster</i>			265,220	41,234	265,220	41,234
TOTAL U.S. DEPARTMENT OF AGRICULTURE			265,220	41,234	265,220	41,234
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education - Basic Grants to States						
Adult Education - Basic Grants to States	2007	84.002	12,289	0	14,043	0
Adult Education - Basic Grants to States	2008	84.002	52,284	0	57,239	0
<i>Total Adult Education - Basic Grants to States</i>			64,573	0	71,282	0
Title I Grants to Local Educational Agencies						
Title I Grants to Local Educational Agencies	2007	84.010	59,735	0	31,844	0
Title I Grants to Local Educational Agencies	2008	84.010	351,693	0	427,054	0
Title I Grants to Local Educational Agencies	2008	84.010	54,564	0	65,714	0
<i>Total Title I Grants to Local Educational Agencies</i>			465,992	0	524,612	0
Special Education Cluster:						
Special Education Grants to States	2007	84.027	75,041	0	79,570	0
Special Education Grants to States	2008	84.027	370,582	0	410,825	0
<i>Total Special Education Grants to States</i>			445,623	0	490,395	0
Special Education - Preschool Grant	2007	84.173	280	0	1,463	0
Special Education - Preschool Grant	2008	84.173	14,134	0	20,580	0
<i>Total Special Education - Preschool Grant</i>			14,414	0	22,043	0
<i>Total Special Education Cluster</i>			460,037	0	512,438	0
Safe and Drug-Free Schools State Grants						
Safe and Drug-Free Schools State Grants	2007	84.186	4,228	0	0	0
Safe and Drug-Free Schools State Grants	2008	84.186	2,053	0	4,708	0
<i>Total Safe and Drug-Free Schools State Grants</i>			6,281	0	4,708	0
State Grants for Innovative Educational Program Strategies						
State Grants for Innovative Educational Program Strategies	2007	84.298	0	0	912	0
State Grants for Innovative Educational Program Strategies	2008	84.298	3,232	0	655	0
<i>Total State Grants for Innovative Educational Program Strategies</i>			3,232	0	1,567	0
Education Technology State Grants						
Education Technology State Grants	2007	84.318	35	0	465	0
Education Technology State Grants	2008	84.318	7,136	0	7,069	0
<i>Total Education Technology State Grants</i>			7,171	0	7,534	0
Comprehensive School Reform Demonstration						
Comprehensive School Reform Demonstration	2007	84.332	7,982	0	15,139	0
<i>Total Comprehensive School Reform Demonstration</i>			7,982	0	15,139	0
English Language Acquisition Grants						
English Language Acquisition Grants	2008	84.365	6,135	0	8,906	0
<i>Total English Language Acquisition Grants</i>			6,135	0	8,906	0
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	2007	84.367	21,704	0	26,695	0
Improving Teacher Quality State Grants	2008	84.367	117,053	0	137,126	0
<i>Total Improving Teacher Quality State Grants</i>			138,757	0	163,821	0
TOTAL U.S. DEPARTMENT OF EDUCATION			1,160,160	0	1,310,007	0
Totals			\$1,425,380	\$41,234	\$1,575,227	\$41,234

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D – TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, the District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2008, the Ohio Department of Education (ODE) authorized the following transfer from the fiscal year 2007 grant to the fiscal year 2008 grant:

CFDA		
<u>Number</u>	<u>Program Title</u>	<u>Amount</u>
84.010	Title I Grants to Local Education Agencies	\$477



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the London City School District, Madison County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated May 29, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 29, 2009.

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.

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



Mary Taylor, CPA
Auditor of State

May 29, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the London City School District, Madison County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of finding identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the London City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. In a separate letter to the District's management dated May 29, 2009, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated May 29, 2009.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 29, 2009

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster (CFDA #10.553 & #10.555) Special Education Cluster (CFDA #84.027 & #84.173) Improving Teacher Quality State Grants (CFDA #84.367)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

**Material Non-Compliance/Significant Deficiency
Board Approval of Budgetary Amendments and Interfund Transfers and Advances**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. Pursuant to Ohio Admin. Code Section 117-2-02, the legal level of budgetary control for the District is the level at which the Board of Education adopts the original appropriation measure, the object level.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2008-001 (Continued)

Material Non-Compliance/Significant Deficiency
Board Approval of Budgetary Amendments and Interfund Transfers and Advances (Continued)

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. Ohio Rev. Code Section 5705.14 provides that inter-fund transfers shall only be made by resolution of the Board of Education. See also 1989 Op. Att'y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the Board of Education. **Auditor of State Bulletin 97-003** provides guidelines for inter-fund advances and indicates inter-fund advances should be approved by a formal resolution of the Board of Education. **Ohio Rev. Code Section 5705.40** provides any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation.

Burkholder v. Lauber (1965), 6 Ohio Misc. 152, indicates that a local government's governing board is prohibited from delegating those discretionary duties statutorily assigned to it. Following such reasoning, a governing board is prohibited from delegating the authority to amend appropriations or approve interfund transfers and advances.

At its June 2008 meeting, the Board of Education gave the Treasurer blanket authority to amend year-end appropriations and make interfund transfers and advances; the Board subsequently approved these items at its July meeting. However, the Board cannot delegate its authority to modify appropriations or approve interfund transfers and advances.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001 (Continued)

**Material Non-Compliance/Significant Deficiency
Board Approval of Budgetary Amendments and Interfund Transfers and Advances (Continued)**

As a result, the June appropriation modifications posted by the Treasurer were not effective and budgetary expenditures exceeded appropriations at June 30, 2008 at the object level as follows:

<u>Fund/Function/Object:</u>	<u>Final Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund:			
Regular Instruction:			
Purchased Services	\$973,824	\$1,122,158	(\$148,334)
Materials and Supplies	235,063	303,038	(67,975)
Special Instruction:			
Salaries	781,647	859,482	(77,835)
Benefits	333,984	426,338	(92,354)
Purchased Services	717,749	815,574	(97,825)
Vocational Instruction:			
Salaries	200,173	216,328	(16,155)
Benefits	65,256	76,399	(11,143)
Pupils:			
Purchased Services	43,912	43,965	(53)
Other	260	335	(75)
Instructional Staff:			
Salaries	404,368	459,108	(54,740)
Benefits	298,753	304,157	(5,404)

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001 (Continued)

**Material Non-Compliance/Significant Deficiency
Board Approval of Budgetary Amendments and Interfund Transfers and Advances (Continued)**

<u>Fund/Function/Object:</u>	<u>Final Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund:			
Board of Education:			
Other	36,500	41,096	(4,596)
Administration:			
Salaries	1,078,913	1,158,971	(80,058)
Materials and Supplies	25,205	25,518	(313)
Capital Outlay	23,303	24,304	(1,001)
Fiscal:			
Purchased Services	52,220	65,866	(13,646)
Other	208,500	211,612	(3,112)
Operation and Maintenance of Plant:			
Salaries	464,508	499,122	(34,614)
Materials and Supplies	95,672	122,908	(27,236)
Pupil Transportation:			
Salaries	402,940	406,239	(3,299)
Capital Outlay	181,146	290,174	(109,028)
Central:			
Benefits	36,481	44,198	(7,717)
Purchased Services	53,924	78,617	(24,693)
Materials and Supplies	9,377	25,464	(16,087)
Capital Outlay	2,064	38,869	(36,805)
Debt Service Fund:			
Debt Service:			
Interest and Fiscal Charges	535,350	1,000,453	(465,103)

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001 (Continued)

**Material Non-Compliance/Significant Deficiency
Board Approval of Budgetary Amendments and Interfund Transfers and Advances (Continued)**

Additionally, the following interfund transfer and interfund advances were not effective at June 30, 2008:

Fund	Transfer Out	Transfer In	Fund
General Fund	473,202	473,202	Permanent Improvement
Fund	Advance Out	Advance In	Fund
General Fund	2,708	2,708	LHS Athletic Fund
General Fund	4,955	4,955	ABLE CCIP Fund
General Fund	40,243	40,243	Special Education IDEA Fund
General Fund	2,982	2,982	Special Education IDEA Fund
General Fund	2,771	2,771	Title III LEP
General Fund	75,361	75,361	Title I Fund
General Fund	47,500	47,500	Title I Fund
General Fund	11,150	11,150	Title I Fund
General Fund	2,655	2,655	Safe & Drug Free Schools Fund
General Fund	1,751	1,751	Safe & Drug Free Schools Fund
General Fund	6,446	6,446	IDEA Preschool Fund
General Fund	20,074	20,074	Title II-A Improving Teacher Quality
General Fund	448	448	Title II-A Improving Teacher Quality

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)

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

FINDING NUMBER 2008-001 (Continued)

**Material Non-Compliance/Significant Deficiency
Board Approval of Budgetary Amendments and Interfund Transfers and Advances (Continued)**

The District's financial report review process identified the lack of prior approval and the District modified its financial statements accordingly; however delegation of the Board's authority could lead to a more than inconsequential financial statement misstatement.

We recommend the Board of Education approve all appropriation modifications, interfund transfers and interfund advances prior to these items being posted to the accounting records; the Board should not delegate its authority to adopt such measures.

Officials' Response:

The Board and the Treasurer are aware of the above Ohio Revised Code requirements, and we have changed the approval process for amending appropriations and approving interfund transfers and advances. These items are now approved by the Board of Education prior to year-end, and prior to their posting to the accounting system.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Statement Adjustments	Yes	
2007-002	Cash Reconciling Items	Yes	
2007-003	Maintaining Records – the District was unable to locate certain records supporting receipts and expenditures	Yes	
2007-004	Student Activities Policies and Procedures	Yes	
2007-005	Child Nutrition Program – District did not have controls to ensure accurate meal counts for reimbursement	Yes	
2007-006	Federal Schedule Adjustments	No	Partially Corrected – Re-Issued in Management Letter



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
JULY 2, 2009**