

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

Single Audit

For the Fiscal Year Ended June 30, 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the London City School District, Madison County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 31, 2014

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**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Kennedy Cottrell Richards LLC
December 23, 2013

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

This discussion and analysis of the London City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements, and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- Net position of governmental activities increased \$1.2 million.
- Total long-term liabilities of governmental activities decreased \$2.1 million. This decrease is the result of debt principal payments made during the fiscal year.
- General revenues accounted for \$20.8 million. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4.2. Total revenues equaled \$25.0 million.
- The District had \$23.8 million in expenses related to governmental activities; only \$4.2 million of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants, entitlements, property taxes, and income taxes) of \$20.8 million were adequate to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2013?"

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

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

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as a Whole

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

Table 1 provides a summary of the District's net position for fiscal year 2013 and fiscal year 2012:

District Net Position		
Governmental Activities		
	2013	<i>Restated</i> 2012
Current and Other Assets	\$ 16,632,287	\$ 14,830,877
Capital Assets, Net	53,323,346	54,747,308
Total Assets	69,955,633	69,578,185
Deferred Outflows of Resources	162,293	324,587
Current Liabilities	2,657,050	2,872,988
Long-Term Liabilities	19,986,788	22,102,452
Total Liabilities	22,643,838	24,975,440
Deferred Inflows of Resources	4,679,913	3,324,460
Net Position:		
Net Investment in Capital Assets	36,552,050	35,756,341
Restricted	4,276,381	4,517,819
Unrestricted	1,965,744	1,328,712
Total Net Position	\$ 42,794,175	\$ 41,602,872

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Long-Term Liabilities decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of debt principal payments made during the fiscal year totaling \$2.3 million.

Deferred Inflows of Resources increased significantly in comparison with the prior fiscal year. Deferred Inflows of Resources represent property taxes levied to finance fiscal year 2014, which increased significantly as a result of increase in debt principal maturing in fiscal year 2014.

Table 2 shows the changes in net position for fiscal years 2013 and 2012:

Change in Net Position Governmental Activities		
	2013	<i>Restated</i> 2012
Revenues:		
Program Revenues		
Charges for Services and Sales	\$ 2,250,367	\$ 2,536,854
Operating Grants and Contributions	1,935,879	1,787,467
Total Program Revenues	4,186,246	4,324,321
General Revenues		
Property Taxes	8,230,138	7,874,356
Income Taxes	3,605,137	3,390,954
Payments in Lieu of Taxes	140,658	130,877
Grants and Entitlements	8,719,985	9,070,833
Interest	5,167	15,122
Other Revenue	94,264	258,369
Total General Revenue	20,795,349	20,740,511
Total Revenues	24,981,595	25,064,832
Expenses:		
Program Expenses		
Instruction	14,003,453	13,615,169
Support Services	7,281,135	6,687,146
Non-Instructional	876,498	561,791
Extra Curricular Activities	594,627	712,142
Interest and Fiscal Charges	1,034,579	1,075,134
Total Expenses	23,790,292	22,651,382
Changes in Net Position	1,191,303	2,413,450
Net Position at Beginning of Year, Restated	41,602,872	39,189,422
Net Position at End of Year	\$ 42,794,175	\$ 41,602,872

Charges for Services and Sales decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a reduction in administrative fees received from the London Academy.

Operating Grants and Contributions increased significantly in comparison with the prior fiscal year. This increase is the result of additional funding received from the Ohio Department of Education, most notably, an increase in Race To The Top funding.

The slight increase in Program Expenses reflects inflationary cost increases.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The following table indicates the total cost of services and the net cost of services for governmental activities. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2013 to 2012 follows:

	Fiscal Year 2013		Fiscal Year 2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$ 14,003,453	\$ 11,606,726	\$ 13,615,169	\$ 11,148,797
Support Services	7,281,135	6,523,164	6,687,146	6,000,642
Non-Instructional	876,498	30,025	561,791	(380,158)
Extra Curricular Activities	594,627	409,552	712,142	482,646
Interest and Fiscal Charges	1,034,579	1,034,579	1,065,902	1,065,902
Total Expenses	<u>\$ 23,790,292</u>	<u>\$ 19,604,046</u>	<u>\$ 22,642,150</u>	<u>\$ 18,317,829</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Program revenues offset only 18 percent of expenses, relying on 82 percent support from general revenues. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

Governmental Funds

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

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$8.5 million, an increase of \$654,256 in comparison with the prior year. Of this amount, approximately \$3.9 million constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it is; (1) not in spendable form (\$14,511); (2) restricted for specific purposes (\$4.2 million); (3) committed for specific purposes (\$286,400); or (4) assigned to specific purposes (\$54,936).

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2013 and 2012.

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 4,735,955	\$ 3,077,019	\$ 1,658,936
Debt Service Fund	3,010,670	3,085,355	(74,685)
Other Governmental Funds	715,109	1,645,104	(929,995)
Total	<u>\$ 8,461,734</u>	<u>\$ 7,807,478</u>	<u>\$ 654,256</u>

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4.4 million, while total fund balance was \$4.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24 percent of total general fund expenditures, while total fund balance represents 26 percent of that same amount.

The Debt Service fund balance decreased \$74,685, during the current fiscal year. The decrease represents the amount in which debt service disbursements exceeded property tax and related receipts during the fiscal year.

General Fund – Budget Highlights

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

During fiscal year 2013, the District revised its budget as it attempted to deal with unexpected changes in expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 15, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, original estimated revenues were \$18.0 million and final estimated revenues were increased to \$19.2 million. The variance between final estimated revenues and actual revenues was insignificant.

Original estimated expenditures were \$18.5 million and final estimated expenditures were increased slightly to \$18.6 million. The variance between final estimated expenditures and actual expenditures was insignificant.

Capital Assets

At fiscal year-end, the District had \$53.3 million (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, equipment and fixtures, vehicles, and textbooks and software, a decrease of \$1.4 million in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation of \$2.1 million exceeded current year additions (\$675,132).

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

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Debt

At fiscal year-end, the District's debt totaled \$19.1 million, a decrease of \$2.0 million in comparison with the prior fiscal year. This decrease primarily represents the amount in which current year principal reductions, totaling \$2.3 million, exceeded current year capital accretion, totaling \$386,281.

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

Contacting the District's Financial Management

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Primary Government Governmental Activities	Component Unit London Academy
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 5,753,642	\$ -
Cash and Cash Equivalents	-	302,289
Property Taxes Receivable	8,780,915	-
Income Taxes Receivable	1,759,883	-
Revenue in Lieu of Taxes Receivable	64,700	-
Intergovernmental Receivable	61,045	12,507
Accounts Receivable	72,932	-
Materials and Supplies Inventory	7,936	-
Prepaid Items	14,511	-
Due from Component Unit	116,723	-
Non-Depreciable Capital Assets	1,330,216	-
Depreciable Capital Assets, Net	51,993,130	2,707
Total Assets	69,955,633	317,503
Deferred Outflows of Resources		
Deferred Amount on Refunding	162,293	-
Liabilities:		
Accounts Payable	17,945	5,383
Contracts Payable	209,076	-
Accrued Wages and Benefits	1,844,929	-
Intergovernmental Payable	442,501	-
Retainage Payable	90,404	-
Unearned Revenue	4,777	136
Accrued Interest Payable	47,418	-
Due to Primary Government	-	116,723
Long-Term Liabilities:		
Due within One Year	4,659,789	-
Due in More Than One Year	15,326,999	-
Total Liabilities	22,643,838	122,242
Deferred Inflows of Resources:		
Property and Other Taxes	4,679,913	-
Net Position:		
Net Investment Capital Assets	36,552,050	2,707
Restricted for:		
Debt Service	3,051,185	-
Capital Projects	282,332	-
Food Services	141,008	-
Classroom Facilities Maintenance	706,018	-
Student Activities	59,350	-
State and Federal Grants	36,488	-
Unrestricted	1,965,744	192,554
Total Net Position	\$ 42,794,175	\$ 195,261

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	London Academy
Governmental Activities					
Instruction					
Regular	\$ 11,040,256	\$ 1,227,593	\$ 34,389	\$ (9,778,274)	\$ -
Special	2,665,216	356,745	709,306	(1,599,165)	-
Vocational	68,383	3,015	-	(65,368)	-
Adult/Continuing	46,308	-	47,056	748	-
Other	183,290	5,452	13,171	(164,667)	-
Support Services					
Pupils	946,570	37,928	96,478	(812,164)	-
Instructional Staff	1,084,762	744	393,013	(691,005)	-
Board of Education	80,364	9,567	-	(70,797)	-
Administration	1,335,107	96,922	3,418	(1,234,767)	-
Fiscal	607,154	62,400	-	(544,754)	-
Business	182,556	10,122	-	(172,434)	-
Operation and Maintenance of Plant	1,738,942	718	1,006	(1,737,218)	-
Pupil Transportation	863,427	104	-	(863,323)	-
Central	442,253	30,770	14,781	(396,702)	-
Non-instructional Services					
Food Service	700,993	223,212	474,862	(2,919)	-
Other	175,505	-	148,399	(27,106)	-
Extra Curricular Activities	594,627	185,075	-	(409,552)	-
Interest and Fiscal Charges	1,034,579	-	-	(1,034,579)	-
Total Governmental Activities	<u>\$ 23,790,292</u>	<u>\$ 2,250,367</u>	<u>\$ 1,935,879</u>	<u>(19,604,046)</u>	<u>-</u>
Component Unit					
London Academy	<u>\$ 1,716,619</u>	<u>\$ -</u>	<u>\$ 1,737,441</u>	<u>-</u>	<u>20,822</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes				5,569,336	-
Debt Service				2,513,682	-
Permanent Improvements				147,120	-
Income Taxes				3,605,137	-
Revenue in Lieu of Taxes				140,658	-
Unrestricted Grants and Entitlements				8,719,985	-
Investment Earnings				5,167	109
Other General Revenues				94,264	543
Total General Revenues				<u>20,795,349</u>	<u>652</u>
Change in Net Position				1,191,303	21,474
Net Position Beginning of Year, Restated				41,602,872	173,787
Net Position End of Year				<u>\$ 42,794,175</u>	<u>\$ 195,261</u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,480,867	\$ 1,881,773	\$ 1,391,002	\$ 5,753,642
Receivables:				
Property Taxes	6,119,770	2,661,145	-	8,780,915
Revenue in Lieu of Taxes	64,700	-	-	64,700
Income Taxes	1,759,883	-	-	1,759,883
Intergovernmental	-	-	61,045	61,045
Accounts	45,470	-	27,462	72,932
Interfund	300,836	-	-	300,836
Material and Supplies Inventory	-	-	7,936	7,936
Prepaid Items	14,511	-	-	14,511
Due From Component Unit	116,723	-	-	116,723
Total Assets	\$ 10,902,760	\$ 4,542,918	\$ 1,487,445	\$ 16,933,123
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 13,598	\$ -	\$ 4,347	\$ 17,945
Contracts Payable	-	-	209,076	209,076
Accrued Wages and Benefits Payable	1,768,934	-	75,995	1,844,929
Intergovernmental Payable	412,541	-	29,960	442,501
Compensated Absences Payable	42,354	-	-	42,354
Interfund Payable	-	-	300,836	300,836
Retainage Payable	-	-	90,404	90,404
Unearned Revenue	-	-	4,777	4,777
Total Liabilities	2,237,427	-	715,395	2,952,822
Deferred Inflows of Resources:				
Property and Other Taxes	3,288,810	1,391,103	-	4,679,913
Unavailable Revenue	640,568	141,145	56,941	838,654
Total Deferred Inflows of Resources	3,929,378	1,532,248	56,941	5,518,567
Fund Balances:				
Nonspendable:				
Prepaid Items	14,511	-	-	14,511
Restricted for:				
Debt Service	-	3,010,670	-	3,010,670
Capital Projects	-	-	263,113	263,113
Food Services	-	-	137,355	137,355
Classroom Facilities Maintenance	-	-	706,018	706,018
Student Activities	-	-	59,350	59,350
State and Federal Grants	-	-	30,545	30,545
Committed for:				
Termination Benefits	286,400	-	-	286,400
Assigned for:				
Public School Support	45,877	-	-	45,877
Contracts	9,059	-	-	9,059
Unassigned:	4,380,108	-	(481,272)	3,898,836
Total Fund Balances	4,735,955	3,010,670	715,109	8,461,734
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,902,760	\$ 4,542,918	\$ 1,487,445	\$ 16,933,123

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total Governmental Fund Balances	\$ 8,461,734
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,323,346
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property Taxes Receivable	464,666
Income Taxes Receivable	198,112
Revenue in Lieu of Taxes Receivable	29,600
Intergovernmental Receivable	29,553
Accounts Receivable	116,723

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(47,418)
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Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds Payable	(16,019,864)
Accretion on Bonds	(2,136,728)
Deferred Amount on Refunding	162,293
Premium on Debt Issue	(966,937)
Capital Leases Payable	(30,222)
Compensated Absence Payable	(790,683)
	(19,782,141)

Net Position of Governmental Activities	<u><u>\$ 42,794,175</u></u>
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**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 5,571,274	\$ 2,510,215	\$ 147,120	\$ 8,228,609
Revenue in Lieu of Taxes	245,335	-	-	245,335
Income Taxes	3,594,565	-	-	3,594,565
Intergovernmental	8,350,650	402,898	1,930,631	10,684,179
Interest	4,515	-	652	5,167
Tuition and Fees	401,186	-	-	401,186
Extracurricular Activities	25,827	-	159,237	185,064
Customer Sales and Services	1,341,615	-	223,212	1,564,827
Donations and Contributions	8,776	-	8,004	16,780
All Other Revenue	67,945	-	755	68,700
Total Revenues	19,611,688	2,913,113	2,469,611	24,994,412
Expenditures:				
Instruction:				
Regular	8,872,909	-	29,667	8,902,576
Special	1,995,925	-	688,455	2,684,380
Vocational	82,879	-	-	82,879
Adult/Continuing	-	-	46,308	46,308
Other	149,878	-	14,725	164,603
Support services:				
Pupils	887,765	-	98,596	986,361
Instructional Staff	656,933	-	430,828	1,087,761
Board of Education	80,364	-	-	80,364
Administration	1,349,810	-	3,674	1,353,484
Fiscal	532,862	65,479	-	598,341
Business	182,556	-	-	182,556
Operation and Maintenance of Plant	1,674,846	-	18,421	1,693,267
Pupil Transportation	722,702	-	36,207	758,909
Central	424,303	-	13,517	437,820
Non-instructional Services:				
Food Service	-	-	657,122	657,122
Other	-	-	163,787	163,787
Extracurricular Activities	315,849	-	159,301	475,150
Capital Outlay	-	-	972,919	972,919
Debt service:				
Principal	-	2,310,000	83,172	2,393,172
Interest and Fiscal Charges	-	612,319	6,078	618,397
Total Expenditures	17,929,581	2,987,798	3,422,777	24,340,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,682,107	(74,685)	(953,166)	654,256
Other Financing Sources (Uses):				
Transfers In	-	-	23,171	23,171
Transfers Out	(23,171)	-	-	(23,171)
Total other financing sources (uses)	(23,171)	-	23,171	-
Net Change in Fund Balances	1,658,936	(74,685)	(929,995)	654,256
Fund Balance Beginning of Year	3,077,019	3,085,355	1,645,104	7,807,478
Fund Balance End of Year	\$ 4,735,955	\$ 3,010,670	\$ 715,109	\$ 8,461,734

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 654,256

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

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

Capital Outlay	675,132
Depreciation	(2,099,094)

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

Property Taxes	1,529
Income Taxes	10,572
Revenue in Lieu of Taxes	(95,138)
Intergovernmental	(28,315)
Customer Sales and Services	98,535

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

Principal Payments	2,393,172
Amortization of Bond Premium	125,176
Amortization of Loss on Refunding	(162,294)
Accretion of Capital Appreciation Bonds	(386,281)
Accrued Interest	7,217

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

Increase in Compensated Absences	(3,164)
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Change in Net Position of Governmental Activities \$ 1,191,303

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 5,573,778	\$ 5,741,875	\$ 5,742,096	\$ 221
Revenue in Lieu of Taxes	94,000	241,000	245,335	4,335
Income Taxes	2,889,447	3,160,810	3,160,809	(1)
Intergovernmental	8,310,380	8,329,563	8,357,813	28,250
Interest	10,800	5,800	4,515	(1,285)
Tuition and Fees	387,260	374,762	408,128	33,366
Customer Sales and Services	704,000	740,830	895,526	154,696
All Other Revenue	27,260	97,260	100,717	3,457
Total Revenues	17,996,925	18,691,900	18,914,939	223,039
Expenditures:				
Instruction:				
Regular	9,449,762	8,873,801	8,859,965	13,836
Special	1,788,535	1,707,507	1,681,887	25,620
Vocational	105,631	113,658	112,201	1,457
Other	77,085	141,207	127,908	13,299
Support services:				
Pupils	1,026,392	905,450	874,504	30,946
Instructional Staff	610,366	659,656	647,019	12,637
Board of Education	35,688	71,103	70,772	331
Administration	1,283,413	1,317,398	1,286,938	30,460
Fiscal	577,512	542,202	531,592	10,610
Business	183,245	177,730	175,407	2,323
Operation and Maintenance of Plant	1,857,255	1,766,457	1,711,987	54,470
Pupil Transportation	643,881	729,482	712,228	17,254
Central	407,311	409,720	404,069	5,651
Extracurricular Activities	174,732	276,216	256,836	19,380
Capital Outlay	-	282,176	-	282,176
Total Expenditures	18,220,808	17,973,763	17,453,313	520,450
Excess of Revenues Over (Under) Expenditures	(223,883)	718,137	1,461,626	743,489
Other Financing Sources (Uses):				
Transfers In	-	-	251	251
Transfers Out	(150,000)	(170,300)	(170,291)	9
Advances In	-	500,450	448	(500,002)
Advances Out	(112,418)	(500,119)	(300,835)	199,284
Total Other Financing Sources (Uses)	(262,418)	(169,969)	(470,427)	(300,458)
Net Change in Fund Balance	(486,301)	548,168	991,199	443,031
Fund Balances at Beginning of Year	1,135,889	1,135,889	1,135,889	-
Prior Year Encumbrances Appropriated	14,086	14,086	14,086	-
Fund Balances at End of Year	\$ 663,674	\$ 1,698,143	\$ 2,141,174	\$ 443,031

See accompanying notes to the basic financial statements

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
AGENCY FUND
AS OF JUNE 30, 2013

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 23,750	\$ 70,513
Investments	17,199	-
Accounts Receivable	-	1,079
Total Assets	40,949	71,592
Liabilities		
Accounts Payable	-	125
Due to Students	-	64,685
Due to Others	-	6,782
Total Liabilities	-	71,592
Net Position		
Held in Trust for Scholarships	\$ 40,949	

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private-Purpose Trust</u>
Additions:	
Gifts and Contributions	\$ 19,007
Interest	10
Total Additions	<u>19,017</u>
Deductions:	
Scholarships Awarded	<u>23,764</u>
Total Deductions	<u>23,764</u>
Chang in Net Position	(4,747)
Net Position at Beginning of Year	<u>45,696</u>
Net Position at End of Year	<u><u>\$ 40,949</u></u>

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District serves an area of approximately 54 square miles. The District is located in Madison County and encompasses all of the City of London and portions of Deer Creek, Somerford, and Union Townships. It is staffed by 70 non-certificated employees and 141 certificated employees who provide services to 2,032 students. The District currently operates two instructional buildings and one bus garage.

Reporting Entity

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

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

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

Discretely Presented Component Unit

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

London Academy

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

Jointly Governed Organizations:

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

Public Entity Shared Risk Pool:

Schools of Ohio Risk Sharing Authority

Insurance Purchasing Pool:

Ohio SchoolComp Workers' Compensation Group Rating Plan

Related Organization:

London Public Library

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, 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 District, available means expected to be received within 60 days of fiscal year-end.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the District, deferred outflows of resources include deferred charges on refundings reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental revenues, and interest income. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2013, the District invested in a United States Treasury money market fund which is reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$4,515.

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

Interfund Balances

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

Inventory

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

Capital Assets

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

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

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

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

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental 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. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure in the governmental fund financial statements when due.

Fund Balance

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

Nonspendable

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

Restricted

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed

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

Assigned

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

Unassigned

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

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

Net Position

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

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

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

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

Internal Activity

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

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

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

Estimates

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2013, the following funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Permanent Improvement Fund	\$ 476,759
Title VI-B Special Education	201
Title I	4,312

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$1,658,936
Adjustments:	
Revenue Accruals	(207,285)
Expenditure Accruals	(54,719)
Perspective Differences	50,612
Advances	(300,387)
Transfers	(146,869)
Encumbrances	(9,089)
Budget Basis	\$991,199

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits: At June 30, 2013, the carrying amount of the District's deposits was \$3,880,585 and the bank balance was \$3,590,186. Of the District's bank balance, \$267,200 was covered by federal deposit insurance while the remaining \$3,322,986 was exposed to custodial risk, as discussed below. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

Investments: At June 30, 2013, the District had \$1,984,519 invested in a United States Treasury money market fund with Huntington National Bank which will mature in less than one year.

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

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility located in the school district. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Madison County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 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, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance prior to June 30, 2013, was \$2,572,139 in the General Fund and \$1,128,897 in the Debt Service Fund. The District did not take any advances on these amounts prior to June 30, 2013.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$291,286,590	97.03%	\$293,369,160	96.80%
Public Utility Personal	8,930,560	2.97%	9,694,710	3.20%
Total Assessed Value	<u>\$300,217,150</u>	<u>100.00%</u>	<u>\$303,063,870</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$46.80		 \$46.80	

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 7 – INCOME TAX

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

NOTE 8 – RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, revenue in lieu of taxes, income taxes, intergovernmental grants and reimbursements, accounts, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year with the exception of the Ohio School Facilities Commission Grant and delinquent property and income taxes. The Ohio School Facilities Commission Grant monies will be collected over the life of the construction of the new facilities. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Food Service	\$3,653
Title I	13,050
ABLE Grant	1,049
Special Education, Part B-IDEA	5,650
IDEA Preschool Grant for the Handicapped	713
Race to the Top	17,711
Ohio Schools Facilities Commission	19,219
Total Intergovernmental Receivables	<u><u>\$61,045</u></u>

NOTE 9 – RISK MANAGEMENT

Property and Liability Insurance - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property, fleet, and liability insurance (For more information on SORSA, see Note 17).

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

Workers' Compensation - For fiscal year 2013, the District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate applies to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE10 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Deletions	Balance at 6/30/13
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 665,130	\$ -	\$ -	\$ 665,130
Construction in Progress	-	665,086	-	665,086
Total Capital Assets, Not Being Depreciated	<u>665,130</u>	<u>665,086</u>	<u>-</u>	<u>1,330,216</u>
Capital Assets, Being Depreciated:				
Land Improvements	4,388,679	-	-	4,388,679
Buildings and Improvements	63,398,997	-	-	63,398,997
Furniture, Fixtures and Equipment	1,671,102	10,046	-	1,681,148
Vehicles	1,262,378	-	-	1,262,378
Textbooks and Software	666,735	-	-	666,735
Total Capital Assets, Being Depreciated	<u>71,387,891</u>	<u>10,046</u>	<u>-</u>	<u>71,397,937</u>
Less Accumulated Depreciation:				
Land Improvements	(2,365,926)	(203,721)	-	(2,569,647)
Building and Improvements	(12,757,928)	(1,698,808)	-	(14,456,736)
Furniture, Fixtures and Equipment	(663,235)	(93,067)	-	(756,302)
Vehicles	(851,889)	(103,498)	-	(955,387)
Textbooks and Software	(666,735)	-	-	(666,735)
Total Accumulated Depreciation	<u>(17,305,713)</u>	<u>(2,099,094)</u>	<u>-</u>	<u>(19,404,807)</u>
Total Capital Assets, Being Depreciated, Net	<u>54,082,178</u>	<u>(2,089,048)</u>	<u>-</u>	<u>51,993,130</u>
Governmental Activities Capital Assets, Net	<u>\$ 54,747,308</u>	<u>\$ (1,423,962)</u>	<u>\$ -</u>	<u>\$ 53,323,346</u>

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,769,666
Special	1,099
Support Services:	
Pupils	195
Instructional Staff	3,861
Administration	2,095
Operation and Maintenance of Plant	49,401
Pupil Transportation	99,562
Central	5,359
Operation of Non-Instructional Services:	
Food Service Operations	31,609
Other	11,718
Extracurricular Activities	124,529
Total Depreciation Expense	\$ 2,099,094

NOTE 11 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.1%. The remaining .9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$270,339, \$275,979, and \$130,473, respectively; 56 percent has been contributed for fiscal year 2013, with the remaining amount being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

State Teachers Retirement System of Ohio

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

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

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

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligation to STRS Ohio for the fiscal year ended June 30, 2013, 2012 and 2011 were \$1,121,291, \$1,164,436, and \$1,344,215, respectively; 80 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. The District's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

NOTE 12 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The District's contributions for the years ended June 30, 2013, 2012 and 2011 were \$15,271, \$16,298, and \$8,396, respectively, 56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. The District's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2013, 2012, and 2011 were \$40,044, \$44,986, \$67,211, respectively, 56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. The District's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

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

State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at 1TUwww.strsoh.orgU1T.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$86,253, \$89,572, \$103,401, respectively; 80 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. The District's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

NOTE 13 – EMPLOYEE BENEFITS

Compensated Absences

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

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

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

Employee Benefits

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

Deferred Compensation

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 14 – CAPITAL LEASE – LESSEE DISCLOSURE

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

The 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, 2013.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2014	<u>\$ 31,841</u>
Total	31,841
Less: Amount Representing Interest	<u>(1,619)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 30,222</u>

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LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Restated Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts Due Within One Year
<u>Governmental Activities:</u>					
London Refunding Series 2005					
Serial Bonds - 3.00% - 4.35%	5,260,000	-	135,000	5,125,000	140,000
Term Bonds - 3.00% - 4.35%	750,000	-	-	750,000	-
Capital Appreciation Bonds - 10.33%	909,909	-	-	909,909	-
Accretion on Capital					
Appreciation Bonds	864,939	188,062	-	1,053,001	-
Premium on Refunding Series 2005	499,042	-	27,724	471,318	-
London Refunding Series 2006					
Serial Bonds - 3.50% - 4.00%	5,240,000	-	155,000	5,085,000	160,000
Term Bonds - 3.50% - 4.00%	1,070,000	-	-	1,070,000	-
Capital Appreciation Bonds - 10.15%	999,955	-	-	999,955	999,955
Accretion on Capital					
Appreciation Bonds	885,508	198,219	-	1,083,727	1,083,727
Premium on Refunding Series 2006	486,648	-	44,241	442,407	-
London Refunding Series 2011					
Term Bonds - 3.75%	4,100,000	-	2,020,000	2,080,000	2,080,000
Premium on Refunding Series 2011	106,423	-	53,211	53,212	-
Capital Leases	113,394	-	83,172	30,222	30,222
Compensated Absences	816,634	263,825	247,422	833,037	165,885
Total Governmental Activities					
Long-Term Obligations	<u>\$ 22,102,452</u>	<u>\$ 650,106</u>	<u>\$ 2,765,770</u>	<u>\$ 19,986,788</u>	<u>\$ 4,659,789</u>

Due to implementation of *GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities"*, the District no longer includes deferred amount of refunding in the long-term obligations. These amounts are now recorded as a Deferred Outflow of Resources.

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

London Refunding Series Bonds 2005 - On October 13, 2005, the District issued \$7,784,909 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. As of June 30, 2013, the refunded bonds were no longer outstanding.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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 2013 was \$188,062.

The bonds will be retired from the Debt Service Fund.

London Refunding Series Bonds 2006 - On January 5, 2006, the District issued \$8,159,955 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. As of June 30, 2013, the refunded bonds were no longer outstanding.

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

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

The capital appreciation bonds issued at \$999,955 are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2014 in the amount of \$2,415,000. Accretion on the capital appreciation bonds for fiscal year 2013 was \$198,219.

The bonds will be retired from the Debt Service Fund.

London Refunding Series Bonds 2011 - On September 7, 2011, the District issued \$4,155,000 in General Obligation Bonds to currently refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds. This refunding was undertaken to take advantage of lower interest rates. The total debt service payments were reduced by \$176,056 and the present value of this reduction resulted in an economic gain of \$172,372. As of June 30, 2013, the refunded bonds were no longer outstanding.

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

The bonds will be retired from the Debt Service Fund.

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

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$10,202,883 and an unvoted debt margin of \$303,064.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 4,463,682	\$ 855,648	\$ 5,319,330
2015	145,000	476,999	621,999
2016	2,007,910	1,223,605	3,231,515
2017	2,565,000	421,277	2,986,277
2018	555,000	358,902	913,902
2019-2023	2,970,000	1,450,613	4,420,613
2024-2028	3,725,000	775,504	4,500,504
2029-2030	1,725,000	75,588	1,800,588
Total	<u>\$ 18,156,592</u>	<u>\$ 5,638,136</u>	<u>\$ 23,794,728</u>

NOTE 16 – INTERFUND ACTIVITY

Interfund balances at June 30, 2013, consist of the following interfund receivable and payable:

	Receivable
	<u>General Fund</u>
Other Governmental Funds:	
Permanent Improvement Fund	300,000
Title I	123
IDEA Preschool	713
Totals	<u>\$300,836</u>

Interfund transfers for fiscal year 2013 consisted of two subsidy transfers from the General Fund to the District-managed student activities fund.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Jointly Governed Organizations

Metropolitan Educational Council

The District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside Franklin County. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District paid an \$896 purchasing cooperative fee to MEC during fiscal year 2013. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

Tolles Career and Technical Center

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

Central Madison Joint Recreation District

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

London Schools Foundation

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

Public Entity Shared Risk Pool

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 62 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The District pays an annual property, fleet, and liability insurance premium to SORSA, which totaled \$78,438 for fiscal year 2013. Reinsurance is purchased to cover claims exceeding the coverage amount and for all claims related to equipment breakdown coverage. In the event that the District would withdraw from SORSA, the District would be required to give advance written notice prior to the end of their three year contract. There is no penalty for early withdrawal and the District would not be held responsible for any outstanding claims.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Insurance Purchasing Pool

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

Related Organization

London Public Library

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

NOTE 18 – SET-ASIDES

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

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	343,810
Qualifying Disbursements	(343,810)
Set-aside Balance as of June 30, 2013	\$0
Carried Forward to Fiscal Year 2014	\$0

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 19 – CONTINGENCIES

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

The District is not party to any legal proceedings.

NOTE 20 – CONTRACTUAL COMMITMENTS

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

	<u>Encumbrances</u>
General Fund	\$ 9,089
Other Governmental Funds	198,587
Total	<u>\$ 207,676</u>

NOTE 21 – RELATED PARTY TRANSACTION

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

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

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT

During fiscal year 2013, the Academy paid the District \$1,319,275 for personnel (all teaching and administrative personnel are employees of London City School District); insurance; pension and retirement benefits; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, legal and financial management services, and sponsorship services. Additionally, at June 30, 2013, the Academy owes the District \$116,723 for services rendered as of June 30, 2013.

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Description of the Academy

The Academy operates under the direction of a self-appointed five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by two non-certified and five certificated full-time teaching personnel (employed by the District) who provide services to 260 students.

Summary of Significant Accounting Policies

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

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

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

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

Cash and Cash Equivalents - The Academy's Treasurer accounts for all monies received by the Academy. The Academy maintains one interest bearing depository account and all funds of the Academy are maintained in this account. This account is presented on the Statement of Net Position as "Cash and Cash Equivalents". The Academy did not have any investments during fiscal year 2013.

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

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

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

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

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

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

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

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

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

Deposits

At fiscal year-end, the carrying amount of the Academy's deposits was \$302,289 and the bank balance was \$1,221,560. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), while the remaining \$971,560 was exposed to custodial risk. There are no significant statutory restrictions regarding the deposit and investments of funds by the Academy.

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Receivables

Receivables at June 30, 2013, consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year. At fiscal year-end, the Academy's intergovernmental receivable balances consisted of a Title I receivable for \$12,507.

Capital Assets

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$ 83,267	\$ 3,384	\$ -	\$ 86,651
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(81,722)	(2,222)	-	(83,944)
Capital Assets, Net	\$ 1,545	\$ 1,162	\$ -	\$ 2,707

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Academy's coverage is provided under the District's policy with the Schools of Ohio Risk Sharing Authority. For fiscal year 2013, the Academy's coverage was for property, equipment breakdown, crime, general liability, educators' legal liability, automobile liability, and gatekeepers' liability.

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

Purchased Services

During the fiscal year, purchased services expenses were \$1,510,628. Of this amount, \$1,435,998 represents services provided by the District, including salaries and benefits (all teaching and administrative personnel are employees of London City School District); insurance; curriculum materials, textbooks, computers and other equipment, software, and supplies; as well as utilities, janitorial services, legal and financial management services, and sponsorship services. The Academy also had purchased services expenses to other vendors in the amount of \$74,630.

Contingencies

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2013, if applicable, cannot be determined at this time.

The Academy is currently not party to any legal proceedings.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 23 - RESTATEMENT OF NET POSITION

Due to the implementation of GASB 65, the Unamortized Bond Issuance Costs should be recognized as an expense in the period incurred. Because such amounts are the product of adjustments from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning net position to restate those amounts to what they would have been. The Net Position adjustment had no effect on fund balances.

The effect of the GASB 65 adjustments are presented below:

Net Position, June 30, 2012	\$ 41,847,695
Deferred Bond Issuance Costs	<u>(244,823)</u>
Restated Net Position, July 1, 2013	<u><u>\$ 41,602,872</u></u>

NOTE 24 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the District has implemented the following:

GASB Statement No. 61 "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34" improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB's authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of this statement resulted in the reclassification of Net Assets to Net Position.

GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities" clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the District to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement required a prior period adjustment to remove all unamortized bond issuance costs (see Note 23).

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 100,320	\$ -	\$ 100,320	\$ -
National School Lunch Program	10.555	312,061	-	312,061	-
School Food Donation	10.555		48,830		48,830
Total Nutrition Cluster		<u>412,381</u>	<u>48,830</u>	<u>412,381</u>	<u>48,830</u>
State Administrative Expenses for Child Nutrition	10.560	3,840	-	3,840	-
Total U.S. Department of Agriculture		<u>416,221</u>	<u>48,830</u>	<u>416,221</u>	<u>48,830</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Adult Education Basic Grants to States	84.002	75,559	-	74,198	-
Title I Grants to Local Educational Agencies	84.010	733,841	-	703,574	-
Special Education Cluster					
Special Education Grants to States	84.027	480,433	-	377,898	-
Special Education Preschool Grants	84.173	17,956	-	17,903	-
Total Special Education Cluster		<u>498,389</u>	<u>-</u>	<u>395,801</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	178,684	-	168,091	-
ARRA- Race-to-the-Top Incentive Grants	84.395	117,376	-	104,776	-
Total U.S. Department of Education		<u>1,603,849</u>	<u>-</u>	<u>1,446,440</u>	<u>-</u>
Total		<u>\$ 2,020,070</u>	<u>\$ 48,830</u>	<u>\$ 1,862,661</u>	<u>\$ 48,830</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the London City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of London City School District, Madison County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Kennedy Cottrell Richards LLC
December 23, 2013

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the London City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

The District's basic financial statements include the operations of London Academy, which received \$147,528 in federal awards which is not included in the District's Schedule of Federal Awards Receipts and Expenditures for the year ended June 30, 2013. Our audit of Federal awards, described below, did not include the operations of London Academy because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended June 30, 2013, it was not subject to OMB Circular A-133 requirements.

Opinion on Each Major Federal Program

In our opinion, the London City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2013-001.

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

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



Kennedy Cottrell Richards LLC
December 23, 2013

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

SCHEDULE OF FINDINGS

JUNE 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA: 10.553, 10.555 Title I Cluster CFDA: 84.010 Race-to-the-Top Incentive Grants – ARRA CFDA: 84.395
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

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

SCHEDULE OF FINDINGS

JUNE 30, 2013

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

None.

3. FINDINGS FOR FEDERAL AWARDS

CFDA Title and Number	Nutrition Cluster - CFDA: 10.553, 10.555 Title I Cluster - CFDA: 84.010
Grant Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education
Finding Number	2013-001

Significant Deficiency: Eligibility Determination

7 CFR 245.6 provides that each child receiving free and reduced lunches must annually submit an application to the District. The District must then certify a child's family income and family size and place him/her within income eligibility standards issued by the Office of Food Nutrition Services. The application must be approved and maintained on file.

At the beginning of each school year, each student that wishes to participate in the free and reduced lunch program, which does not have his/her eligibility determined through the direct certification process, is required to submit a free/reduced application. The District's Food Service Coordinator, reviews the application, determines the level of eligibility (free, reduced, or does not qualify), and then approves the application. The Assistant to the Food Service Coordinator performs a secondary review of each application.

During our testing of the free/reduced applications, we noted the following:

- 1) For three of the 60 free/reduced student applications we selected for testing, the District could not locate the application, so we were unable to verify the students' eligibility; and
- 2) For one of the 60 free and reduced student applications we selected for testing, there was no evidence of a secondary review by the Assistant to the Food Service Coordinator of the eligibility determination.

Though the noncompliance we noted was not material, we consider the significant deficiency in internal control important enough to merit attention by those charged with governance. For the Title I program, the District elected to measure its poverty level and identify eligible school attendance areas by the number of children eligible for free and reduced priced meals under the Richard B. Russell National School Lunch Act. Thus, this significant deficiency also impacts the District's eligibility determination for the Title I program.

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

SCHEDULE OF FINDINGS

JUNE 30, 2013

We recommend the District establish policies and procedures regarding eligibility determination to ensure that all applications are approved by both the Food Service Coordinator and the Assistant to the Food Service Coordinator and all applications are maintained on file. Those policies and procedures at a minimum should incorporate the requirements of the above noted CFR sections.

Officials Response and Corrective Actions

The District has policies and procedures in place to mitigate instances of noncompliance. The procedure will be modified to include a secondary review of all applications on file and match these applications to a master list of all eligible students.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Significant Deficiency – Food Service Receipts	Yes	Corrected.
2012-02	Significant Deficiency Eligibility-Determination and Verification Nutrition Cluster and Title I Cluster	No	Partially Corrected. Repeated as Finding 2013-001.
2012-03	Significant Deficiency- Program Revenue Nutrition Cluster	Yes	Corrected.



Dave Yost • Auditor of State

LONDON CITY SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2014**