



Dave Yost • Auditor of State

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes In Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	19
Statement of Net Position-Proprietary Fund.....	20
Statement of Revenues, Expenses and Changes in Fund Net Position-Proprietary Fund	21
Statement of Cash Flows-Proprietary Fund	22
Statement of Net Position-Fiduciary Funds.....	23
Statement of Changes in Net Position-Fiduciary Fund	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of District's Proportionate Share of the Net Pension Liability-SERS.....	62
Schedule of District's Proportionate Share of the Net Pension Liability-STRS.....	63
Schedule of District Contributions-SERS	64
Schedule of District Contributions- STRS	65

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Schedule of Federal Awards Expenditures.....	67
Notes to the Schedule of Federal Awards Expenditures	68
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	71
Schedule of Findings.....	73
Schedule of Prior Audit Findings.....	74



Dave Yost • Auditor of State

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 the London City School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2015, 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 such 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, 2015, and the respective changes in financial position and, where applicable, cash flows 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.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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* and schedules of net pension liabilities and pension contributions, 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 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 also 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 this schedule to the auditing procedures 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, the 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 March 17, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

THIS PAGE INTENTIONALLY LEFT BLANK

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$2.6 million.
- Total long-term liabilities of governmental activities decreased \$6.8 million.
- General revenues accounted for \$22.4 million. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3.4 million. Total revenues equaled \$25.9 million.
- The District had \$23.2 million in expenses related to governmental activities; only \$3.4 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 \$22.4 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 2015?"

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 deferred outflows and liabilities and deferred inflows 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, 2015
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$20.8 million at the close of the current fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The District as a Whole

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

Table 1 provides a summary of the District's net position for fiscal year 2015 and fiscal year 2014:

District Net Position		
Governmental Activities		
	2015	Restated 2014
Current and Other Assets	\$ 20,985,719	\$ 19,065,472
Capital Assets, Net	49,467,794	51,474,637
Total Assets	70,453,513	70,540,109
Deferred Outflows of Resources	1,829,823	1,518,740
Current Liabilities	2,466,506	2,561,107
Long-Term Liabilities		
Net Pension Liability	23,388,246	27,798,586
Other Long-Term Liabilities	16,468,343	18,905,191
Total Liabilities	42,323,095	49,264,884
Deferred Inflows of Resources	9,135,403	4,582,282
Net Position:		
Net Investment in Capital Assets	35,312,599	36,035,338
Restricted	5,030,970	4,936,906
Unrestricted	(19,518,731)	(22,760,561)
Total Net Position	\$ 20,824,838	\$ 18,211,683

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$44,491,529 to \$18,211,683.

Current and Other Assets increased significantly in comparison with the prior fiscal year-end. This increase is primarily consists of an increase in Pooled Cash and Cash Equivalents due to increases in foundation revenue and property taxes revenue coupled with a decrease in expenses.

Total Liabilities decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in Net Pension Liability related to strong investment returns, and a decrease in bonds and notes payable related to principal payments made during the fiscal year.

Capital Assets and Net Investment in Capital Assets both decreased significantly in comparison with the prior fiscal year-end. These decreases represents the amount in which current year depreciation and disposals exceeded current year capital acquisitions.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows the changes in net position for fiscal years 2015 and 2014:

Change in Net Position Governmental Activities		
	2015	2014
Revenues:		
Program Revenues		
Charges for Services	\$ 1,853,605	\$ 2,269,563
Operating Grants and Contributions	1,555,977	1,748,806
Total Program Revenues	3,409,582	4,018,369
General Revenues		
Property Taxes	8,769,412	8,276,925
Income Taxes	3,332,571	3,197,082
Revenue in Lieu of Taxes	99,802	311,883
Grants and Entitlements	10,108,811	9,624,998
Investment Earnings	21,233	3,410
Other Revenue	109,473	246,142
Total General Revenue	22,441,302	21,660,440
Total Revenues	25,850,884	25,678,809
Expenses:		
Program Expenses		
Instruction	14,048,180	14,155,117
Support Services	6,863,652	7,360,299
Non-Instructional	828,799	787,617
Extra Curricular Activities	733,125	694,619
Interest and Fiscal Charges	763,973	983,803
Total Expenses	23,237,729	23,981,455
Changes in Net Position	2,613,155	1,697,354
Net Position at Beginning of Year, Restated	18,211,683	N/A
Net Position at End of Year	\$ 20,824,838	\$ 18,211,683

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,518,740 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,128,319.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 23,237,729
Pension expense under GASB 68	(1,128,319)
2015 contractually required contribution	1,608,892
Adjusted 2015 program expenses	23,718,302
Total 2014 program expenses under GASB 27	23,981,455
Decrease in program expenses not related to pension	\$ (263,153)

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Operating Grants and Contributions decreased slightly in comparison with the prior fiscal year. This decrease is the result of certain funding ending or being reduced from the Ohio Department of Education, most notably, a decrease in Race to the Top and Title I funding. In addition, Charges for Services decreased significantly as a result of London Academy operations.

The slight decrease in Program Expenses reflects the District's loss of some grant funding.

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, 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 2015 to 2014 follows:

	Fiscal Year 2015		Fiscal Year 2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$ 14,048,180	\$ 12,172,229	\$ 14,155,117	\$ 11,723,228
Support Services	6,863,652	6,348,729	7,360,299	6,745,879
Non-Instructional	828,799	22,207	787,617	(22,984)
Extra Curricular Activities	733,125	521,009	694,619	533,160
Interest and Fiscal Charges	763,973	763,973	983,803	983,803
Total Expenses	\$ 23,237,729	\$ 19,828,147	\$ 23,981,455	\$ 19,963,086

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Program revenues offset only 15 percent of expenses, relying on 85 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 \$12.9 million, an increase of \$1.8 million in comparison with the prior year. Of this amount, approximately \$7.8 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 (\$13,478); (2) restricted for specific purposes (\$4.9 million); (3) committed for specific purposes (\$88,048); or (4) assigned to specific purposes (\$76,528).

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, 2015 and 2014.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 7,985,318	\$ 6,348,310	\$ 1,637,008
Debt Service Fund	3,072,654	3,004,786	67,868
Other Governmental Funds	1,841,028	1,777,649	63,379
Total	<u>\$ 12,899,000</u>	<u>\$ 11,130,745</u>	<u>\$ 1,768,255</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 \$7.8 million, while total fund balance was \$8.0 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 42 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

The Debt Service fund balance increased \$67,868, during the current fiscal year. This increase represents the amount in which property tax and related receipts exceeded debt service disbursements 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.

For the General Fund, original estimated revenues were slightly increased to final estimated revenues of \$20.4 million. The variance between final estimated revenues and actual revenues was insignificant. Original estimated expenditures were \$19.2 million and final estimated expenditures were decreased slightly to \$19.1 million. The District's final approved appropriations exceeded actual expenditures by \$893,040 as management took a conservative approach to expenditures.

Capital Assets

At fiscal year-end, the District had \$49.5 million (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, equipment and fixtures, vehicles, and textbooks and software, a decrease of \$2.0 million in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation of \$2.1 million and disposals of \$38,081 exceeded current year additions (\$153,642).

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

Debt

At fiscal year-end, the District's debt totaled \$15.6 million, a decrease of \$2.4 million in comparison with the prior fiscal year. This decrease primarily represents the amount in which current year principal reductions, and amortization totaling \$2.7 million, exceeded current year accretion, totaling \$346,697.

See Note 14 to the basic financial statements for additional information on long-term obligations.

LONDON CITY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Contacting the District's Financial Management

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

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

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	Primary Government Governmental Activities	Component Unit London Academy
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 9,728,019	\$ -
Cash and Cash Equivalents	-	787,163
Property Taxes Receivable	9,154,600	-
Income Taxes Receivable	1,441,763	-
Revenue in Lieu of Taxes Receivable	72,000	-
Intergovernmental Receivable	59,219	13,298
Accrued Interest Receivable	3,757	-
Accounts Receivable	16,295	-
Materials and Supplies Inventory	4,517	-
Prepaid Items	13,478	5,052
Due from Component Unit	492,071	-
Non-Depreciable Capital Assets	665,130	-
Depreciable Capital Assets, Net	48,802,664	60,079
Total Assets	70,453,513	865,592
Deferred Outflows of Resources		
Pension	1,829,823	-
Total Deferred Outflows of Resources	1,829,823	-
Liabilities:		
Accounts Payable	40,584	7,931
Accrued Wages and Benefits	1,975,270	-
Intergovernmental Payable	398,213	-
Unearned Revenue	12,200	-
Accrued Interest Payable	40,045	-
Claims Payable	194	-
Due to Primary Government	-	492,071
Long-Term Liabilities:		
Due within One Year	2,642,139	175,831
Due in More Than One Year:		
Net Pension Liability	23,388,246	-
Other Amounts Due in More Than One Year	13,826,204	452,806
Total Liabilities	42,323,095	1,128,639
Deferred Inflows of Resources:		
Property and Other Taxes	4,894,553	-
Pension	4,240,850	-
Total Deferred Inflows of Resources	9,135,403	-
Net Position:		
Net Investment Capital Assets	35,312,599	60,079
Restricted for:		
Debt Service	3,168,410	-
Permanent Improvement	505,499	-
Capital Projects	275,728	-
Food Services	180,072	-
Classroom Facilities Maintenance	832,154	-
Student Activities	17,650	-
State and Federal Grants	51,457	-
Unrestricted	(19,518,731)	(323,126)
Total Net Position	\$ 20,824,838	\$ (263,047)

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	London Academy
Governmental Activities					
Instruction					
Regular	\$ 10,367,903	\$ 892,085	\$ 30,678	\$ (9,445,140)	\$ -
Special	3,560,438	371,410	568,161	(2,620,867)	-
Vocational	99,930	7,334	-	(92,596)	-
Adult/Continuing	2,009	5	-	(2,004)	-
Other	17,900	6,278	-	(11,622)	-
Support Services					
Pupils	930,492	2,995	138,493	(789,004)	-
Instructional Staff	670,035	1,779	225,352	(442,904)	-
Board of Education	89,798	4,934	-	(84,864)	-
Administration	1,477,496	96,474	-	(1,381,022)	-
Fiscal	594,802	15,063	-	(579,739)	-
Business	168,606	7,126	-	(161,480)	-
Operation and Maintenance of Plant	1,868,882	329	-	(1,868,553)	-
Pupil Transportation	912,322	-	-	(912,322)	-
Central	151,219	22,378	-	(128,841)	-
Non-instructional Services					
Food Service	664,966	213,299	444,085	(7,582)	-
Other	163,833	-	149,208	(14,625)	-
Extra Curricular Activities	733,125	212,116	-	(521,009)	-
Interest and Fiscal Charges	763,973	-	-	(763,973)	-
Total Governmental Activities	<u>\$ 23,237,729</u>	<u>\$ 1,853,605</u>	<u>\$ 1,555,977</u>	<u>(19,828,147)</u>	<u>-</u>
Component Unit					
London Academy	<u>\$ 1,378,994</u>	<u>\$ -</u>	<u>\$ 1,416,008</u>	<u>-</u>	<u>37,014</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes				5,842,915	-
Debt Service				2,779,377	-
Permanent Improvements				147,120	-
Income Taxes				3,332,571	-
Revenue in Lieu of Taxes				99,802	-
Unrestricted Grants and Entitlements				10,108,811	-
Investment Earnings				21,233	66
Other General Revenues				109,473	-
Total General Revenues				<u>22,441,302</u>	<u>66</u>
Change in Net Position				2,613,155	37,080
Net Position Beginning of Year, Restated				18,211,683	(300,127)
Net Position End of Year				<u>\$ 20,824,838</u>	<u>\$ (263,047)</u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 5,888,021	\$ 1,888,608	\$ 1,936,334	\$ 9,712,963
Receivables:				
Property Taxes	6,309,799	2,844,801	-	9,154,600
Revenue in Lieu of Taxes	72,000	-	-	72,000
Income Taxes	1,441,763	-	-	1,441,763
Intergovernmental	-	-	59,219	59,219
Accounts	15,666	-	629	16,295
Accrued Interest Receivable	3,757	-	-	3,757
Interfund	4,720	-	-	4,720
Material and Supplies Inventory	-	-	4,517	4,517
Prepaid Items	13,478	-	-	13,478
Due From Component Unit	492,071	-	-	492,071
Total Assets	<u>\$ 14,241,275</u>	<u>\$ 4,733,409</u>	<u>\$ 2,000,699</u>	<u>\$ 20,975,383</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 14,924	\$ -	\$ 25,660	\$ 40,584
Accrued Wages and Benefits Payable	1,892,809	-	82,461	1,975,270
Intergovernmental Payable	371,907	-	26,306	398,213
Compensated Absences Payable	13,838	-	-	13,838
Interfund Payable	-	-	4,720	4,720
Total Liabilities	<u>2,293,478</u>	<u>-</u>	<u>139,147</u>	<u>2,432,625</u>
Deferred Inflows of Resources:				
Property and Other Taxes	3,369,599	1,524,954	-	4,894,553
Unavailable Revenue	592,880	135,801	20,524	749,205
Total Deferred Inflows of Resources	<u>3,962,479</u>	<u>1,660,755</u>	<u>20,524</u>	<u>5,643,758</u>
Fund Balances:				
Nonspendable:				
Prepaid Items	13,478	-	-	13,478
Restricted for:				
Debt Service	-	3,072,654	-	3,072,654
Permanent Improvement	-	-	505,499	505,499
Capital Projects	-	-	256,509	256,509
Food Services	-	-	180,072	180,072
Classroom Facilities Maintenance	-	-	832,154	832,154
Student Activities	-	-	17,650	17,650
State and Federal Grants	-	-	54,281	54,281
Committed for:				
Termination Benefits	88,048	-	-	88,048
Assigned for:				
Public School Support	33,158	-	-	33,158
Instruction	4,489	-	-	4,489
Support Services	38,881	-	-	38,881
Unassigned:	7,807,264	-	(5,137)	7,802,127
Total Fund Balances	<u>7,985,318</u>	<u>3,072,654</u>	<u>1,841,028</u>	<u>12,899,000</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,241,275</u>	<u>\$ 4,733,409</u>	<u>\$ 2,000,699</u>	<u>\$ 20,975,383</u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2015

Total Governmental Fund Balances \$ 12,899,000

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. 49,467,794

Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.

Property Taxes Receivable	434,150
Income Taxes Receivable	248,778
Intergovernmental Receivable	20,524
Accounts Receivable	45,753

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	1,829,823
Deferred Inflows - Pension	(4,240,850)
Net Pension Liability	(23,388,246)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. 2,662

In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (40,045)

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Notes Payable	(890,491)
Bonds Payable	(12,494,909)
Accretion on Bonds	(1,491,063)
Premium on Debt Issue	(769,795)
Compensated Absence Payable	(808,247)
	<u>(15,564,014)</u>

Net Position of Governmental Activities \$ 20,824,838

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 5,897,202	\$ 2,799,179	\$ 147,120	\$ 8,843,501
Revenue in Lieu of Taxes	99,802	-	-	99,802
Income Taxes	3,336,744	-	-	3,336,744
Intergovernmental	9,658,490	450,321	1,568,907	11,677,718
Interest	14,825	-	6,408	21,233
Tuition and Fees	685,793	-	-	685,793
Extracurricular Activities	21,838	-	186,057	207,895
Customer Sales and Services	739,311	-	213,299	952,610
Donations and Contributions	13,135	-	16,840	29,975
All Other Revenue	72,047	-	347	72,394
Total Revenues	20,539,187	3,249,500	2,138,978	25,927,665
Expenditures:				
Instruction:				
Regular	8,871,755	-	35,675	8,907,430
Special	3,090,732	-	560,244	3,650,976
Vocational	129,514	-	-	129,514
Adult/Continuing	97	-	-	97
Other	18,304	-	-	18,304
Support services:				
Pupils	810,876	-	140,546	951,422
Instructional Staff	411,397	-	243,108	654,505
Board of Education	89,798	-	-	89,798
Administration	1,537,368	-	147	1,537,515
Fiscal	539,913	64,713	-	604,626
Business	168,606	-	-	168,606
Operation and Maintenance of Plant	1,656,149	-	160,299	1,816,448
Pupil Transportation	866,598	-	67,747	934,345
Central	167,680	-	780	168,460
Non-instructional Services:				
Food Service	-	-	645,344	645,344
Other	3,837	-	151,287	155,124
Extracurricular Activities	305,059	-	263,326	568,385
Capital Outlay	-	-	48,896	48,896
Debt service:				
Principal	-	2,627,184	-	2,627,184
Interest and Fiscal Charges	-	489,735	-	489,735
Total Expenditures	18,667,683	3,181,632	2,317,399	24,166,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,871,504	67,868	(178,421)	1,760,951
Other Financing Sources (Uses):				
Insurance Proceeds	7,304	-	-	7,304
Transfers In	-	-	241,800	241,800
Transfers Out	(241,800)	-	-	(241,800)
Total Other Financing Sources (Uses)	(234,496)	-	241,800	7,304
Net Change in Fund Balances	1,637,008	67,868	63,379	1,768,255
Fund Balance Beginning of Year	6,348,310	3,004,786	1,777,649	11,130,745
Fund Balance End of Year	\$ 7,985,318	\$ 3,072,654	\$ 1,841,028	\$ 12,899,000

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 1,768,255

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	147,842
Depreciation	(2,122,404)

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

Donations	5,800
Disposals	(38,081)

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

9,875

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

Property Taxes	(74,089)
Income Taxes	(4,173)
Intergovernmental	(12,930)
Customer Sales and Services	1,307

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

1,608,892

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.

(1,128,319)

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	2,627,184
Amortization of Bond Premium	71,965
Accretion of Capital Appreciation Bonds	(346,697)
Accrued Interest	494

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.

Decrease in Compensated Absences	98,234
----------------------------------	--------

Change in Net Position of Governmental Activities **\$ 2,613,155**

**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, 2015

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 5,763,500	\$ 5,959,161	\$ 5,958,968	\$ (193)
Revenue in Lieu of Taxes	94,700	99,802	99,802	-
Income Taxes	3,246,500	3,257,186	3,257,186	-
Intergovernmental	9,404,257	9,653,532	9,665,075	11,543
Interest	3,000	8,500	11,318	2,818
Tuition and Fees	450,300	672,577	686,193	13,616
Customer Sales and Services	554,500	682,072	676,231	(5,841)
All Other Revenue	22,350	64,071	61,452	(2,619)
Total Revenues	19,539,107	20,396,901	20,416,225	19,324
Expenditures:				
Instruction:				
Regular	9,333,437	9,022,103	8,639,216	382,887
Special	2,620,768	2,805,931	2,697,314	108,617
Vocational	97,970	131,496	130,336	1,160
Other	26,367	13,883	11,272	2,611
Support services:				
Pupils	870,110	866,853	798,200	68,653
Instructional Staff	300,237	426,951	415,564	11,387
Board of Education	101,760	103,066	83,011	20,055
Administration	1,460,292	1,425,240	1,417,955	7,285
Fiscal	566,249	560,773	544,275	16,498
Business	171,750	165,352	158,595	6,757
Operation and Maintenance of Plant	1,724,483	1,752,042	1,695,565	56,477
Pupil Transportation	933,382	941,146	861,122	80,024
Central	160,657	140,130	137,964	2,166
Extracurricular Activities	312,222	268,076	267,043	1,033
Total Expenditures	18,679,684	18,623,042	17,857,432	765,610
Excess of Revenues Over Expenditures	859,423	1,773,859	2,558,793	784,934
Other Financing Sources (Uses):				
Insurance Proceeds	-	7,304	7,304	-
Transfers In	-	6,202	6,202	-
Transfers Out	(305,093)	(446,468)	(418,920)	27,548
Advances In	-	-	15,632	15,632
Advances Out	(189,635)	(104,602)	(4,720)	99,882
Total Other Financing Sources (Uses)	(494,728)	(537,564)	(394,502)	143,062
Net Change in Fund Balance	364,695	1,236,295	2,164,291	927,996
Fund Balances at Beginning of Year	3,577,105	3,577,105	3,577,105	-
Prior Year Encumbrances Appropriated	925	925	925	-
Fund Balances at End of Year	\$ 3,942,725	\$ 4,814,325	\$ 5,742,321	\$ 927,996

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2015

	Governmental Activities - Internal Service Fund
Current Assets:	
Cash and Cash Equivalents	\$ 15,056
Total Current Assets	<u>15,056</u>
Total Assets	<u>15,056</u>
Current Liabilities:	
Claims Payable	194
Unearned Revenue	<u>12,200</u>
Total Current Liabilities	<u>12,394</u>
Total Liabilities	<u>12,394</u>
Net Position:	
Unrestricted	<u>2,662</u>
Total Net Position	<u><u>\$ 2,662</u></u>

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 147,802
Total Operating Revenues	147,802
 Operating Expenses:	
Purchased Services	23,359
Claims	114,568
Total Operating Expenses	137,927
 Change in Fund Net Position and Operating Income	9,875
 Net Position Beginning of Year	(7,213)
Net Position End of Year	\$ 2,662

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
	Fund
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$ 147,069
Cash Payments for Contract Services	(23,359)
Cash Payments for Claims	(118,497)
Net Cash Provided by Operating Activities	5,213
 Net Increase in Cash and Cash Equivalents	 5,213
Cash and Cash Equivalents at Beginning of Year	9,843
Cash and Cash Equivalents at End of Year	\$ 15,056
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 9,875
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Claims Payable	(3,929)
Unearned Revenue	(733)
Net Cash Provided by Operating Activities	\$ 5,213

See accompanying notes to the basic financial statements.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust
Additions:	
Gifts and Contributions	\$ 20,500
Total Additions	20,500
 Deductions:	
Scholarships Awarded	16,500
Total Deductions	16,500
 Chang in Net Position	 4,000
 Net Position at Beginning of Year	 (250)
Net Position at End of Year	\$ 3,750

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, 2015

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 73 non-certificated employees and 146 certificated employees who provide services to 2,034 students. The District currently operates three 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, 2015

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

Disclosures related to the discretely presented component unit are presented in Note 21.

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 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association
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, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

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

Internal Service Fund

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pensions. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide Statement of Net Position and the governmental funds balance sheet. Unavailable revenue includes delinquent property taxes. These amounts are only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position (See Note 11).

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

All investments are reported at fair value, which is based on quoted market prices.

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 2015 amounted to \$14,825, which includes \$3,758 assigned from other District funds.

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

Interfund Balances

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

Inventory

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

Capital Assets

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences

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

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

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

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

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

Accrued Liabilities and Long-Term Obligations

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Unearned Revenue

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

Budgetary Process

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

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

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

Internal Activity

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 3 – ACCOUNTABILITY

Accountability

At June 30, 2015, the following funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Title VI-B Special Education	\$ (2,824)
Title II-A Improving Teacher Quality	(2,313)

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).

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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).

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	\$1,637,008
Adjustments:	
Revenue Accruals	468,637
Expenditure Accruals	117,615
Perspective Differences	127,926
Other Financing Sources and Uses	(129,756)
Encumbrances	(57,139)
Budget Basis	\$2,164,291

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;

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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, 2015, the carrying amount of the District's deposits was \$7,293,293 and the bank balance was \$7,626,767. Of the District's bank balance, \$6,473,129 was covered by federal deposit insurance while the remaining \$1,153,638 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, 2015, the District had the following investments and maturities:

Investment Type	Fair Value	Percent of Total	Investment Maturities		
			Within 1 Year	1 to 2 Years	2 to 4 Years
Federal Farm Credit Bank	\$ 149,818	5.99%	\$ -	\$ -	\$ 149,818
Federal Home Loan Bank	654,202	26.17%	-	-	654,202
Federal Home Loan Mortgage	844,455	33.77%	-	159,842	684,613
Federal National Mortgage Assoc	199,270	7.97%	-	-	199,270
Negotiable Certificates of Deposit	647,043	25.88%	-	371,117	275,926
Money Market Funds	5,568	0.22%	5,568	-	-
Total	\$ 2,500,356	100%	\$ 5,568	\$ 530,959	\$ 1,963,829

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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: Of the District's investments, the Federal Agency were rated AA+ by Standard & Poor's. The District's investments in negotiable certificates of deposit and money market fund were unrated. The District's policy does not address credit risk.

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.

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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 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, 2015, are available to finance fiscal year 2015 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, 2015 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, 2015, was \$2,713,851 in the General Fund and \$1,184,046 in the Debt Service Fund. The District did not take any advances on these amounts prior to June 30, 2015.

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.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 – PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$292,024,090	96.54%	\$308,836,040	96.42%
Public Utility Personal	10,460,740	3.46%	11,460,460	3.58%
Total Assessed Value	\$302,484,830	100.00%	\$320,296,500	100.00%
Tax rate per \$1,000 of assessed valuation	\$46.80		\$46.80	

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, 2015, consisted of property taxes, revenue in lieu of taxes, income taxes, intergovernmental grants and reimbursements, accounts, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year with the exception of delinquent property and income taxes. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Race to the Top	\$ 4,553
IDEA Special Education	33,665
Title II-A Improving Teacher Quality	1,782
Ohio Facilities Construction Commission	19,219
Total Intergovernmental Receivables	\$ 59,219

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property, fleet, and liability insurance (For more information on SORSA, see Note 16).

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 2015, the District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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.

Employee Dental Insurance – During the fiscal year, the District began providing dental insurance to employees through Delta Dental. A claims liability of \$194 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. Changes in the fund's claim liability for the past three years are as follows:

<u>Fiscal Year Ending</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Claims Liability beginning of year	\$ 4,123	\$ -
Claims incurred and changes in estimate	114,568	104,382
Claims Paid	(118,497)	(100,259)
Claims liability end of year	<u>\$ 194</u>	<u>\$ 4,123</u>

Space intentionally left blank

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 665,130	\$ -	\$ -	\$ 665,130
Total Capital Assets, Not Being Depreciated	<u>665,130</u>	<u>-</u>	<u>-</u>	<u>665,130</u>
Capital Assets, Being Depreciated:				
Land Improvements	4,519,591	40,211	(198,680)	4,361,122
Buildings and Improvements	64,064,381	5,800	-	64,070,181
Furniture, Fixtures and Equipment	1,744,772	13,509	-	1,758,281
Vehicles	1,291,893	94,122	(65,224)	1,320,791
Textbooks and Software	666,735	-	-	666,735
Total Capital Assets, Being Depreciated	<u>72,287,372</u>	<u>153,642</u>	<u>(263,904)</u>	<u>72,177,110</u>
Less Accumulated Depreciation:				
Land Improvements	(2,779,913)	(196,624)	160,599	(2,815,938)
Building and Improvements	(16,175,339)	(1,726,842)	-	(17,902,181)
Furniture, Fixtures and Equipment	(859,475)	(92,161)	-	(951,636)
Vehicles	(996,403)	(106,777)	65,224	(1,037,956)
Textbooks and Software	(666,735)	-	-	(666,735)
Total Accumulated Depreciation	<u>(21,477,865)</u>	<u>(2,122,404)</u>	<u>225,823</u>	<u>(23,374,446)</u>
Total Capital Assets, Being Depreciated, Net	<u>50,809,507</u>	<u>(1,968,762)</u>	<u>(38,081)</u>	<u>48,802,664</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,474,637</u>	<u>\$ (1,968,762)</u>	<u>\$ (38,081)</u>	<u>\$ 49,467,794</u>

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,744,710
Special	550
Support Services:	
Pupils	195
Instructional Staff	6,243
Administration	2,095
Operation and Maintenance of Plant	89,328
Pupil Transportation	103,794
Central	9,674
Operation of Non-Instructional Services:	
Food Service Operations	31,564
Other	8,709
Extracurricular Activities	125,542
Total Depreciation Expense	\$ 2,122,404

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$347,859 for fiscal year 2015. Of this amount \$65,062 is reported as an intergovernmental payable.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,261,033 for fiscal year 2015. Of this amount, \$235,859 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,791,203	\$19,597,043	\$23,388,246
Proportion of the Net Pension Liability	0.074911%	0.080568%	
Pension Expense	\$222,954	\$905,365	\$1,128,319

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$32,267	\$188,664	\$220,931
District contributions subsequent to the measurement date	347,859	1,261,033	1,608,892
Total Deferred Outflows of Resources	\$380,126	\$1,449,697	\$1,829,823
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$615,323	\$3,625,527	\$4,240,850
Total Deferred Inflows of Resources	\$615,323	\$3,625,527	\$4,240,850

\$1,608,892 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$145,682)	(\$859,216)	(\$1,004,898)
2017	(145,682)	(859,216)	(1,004,898)
2018	(145,682)	(859,216)	(1,004,898)
2019	(146,010)	(859,215)	(1,005,225)
Total	(\$583,056)	(\$3,436,863)	(\$4,019,919)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$5,408,920	\$3,791,203	\$2,430,563

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$28,055,303	\$19,597,043	\$12,444,201

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 a postemployment benefit plan.

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code 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 Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

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 pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute 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 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care for the years ended June 30, 2015, 2014, and 2013 were \$56,615, \$57,325 and \$40,044, respectively. The entire amount has been contributed for fiscal years 2014 and 2013. For fiscal year 2015, the District has contributed 28 percent of the required amount.

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 on SERS' Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System of Ohio

Plan Description – STRS administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

The District's contractually required health care contributions to STRS for fiscal years 2015, 2014, and 2013 were \$0, \$84,742, and \$86,253, respectively. The entire amount has been contributed for each fiscal year.

NOTE 13 – EMPLOYEE BENEFITS

Compensated Absences

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

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

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

Employee Benefits

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 – EMPLOYEE BENEFITS (continued)

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.

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Amounts Due Within One Year
<u>Governmental Activities:</u>					
London Refunding Series 2005					
Serial Bonds - 3.00% - 4.35%	4,985,000	-	145,000	4,840,000	-
Term Bonds - 3.00% - 4.35%	750,000	-	-	750,000	-
Capital Appreciation Bonds - 10.33%	909,909	-	-	909,909	909,909
Accretion on Capital					
Appreciation Bonds	1,261,010	230,053	-	1,491,063	1,491,063
Premium on Refunding Series 2005	443,594	-	27,724	415,870	-
London Refunding Series 2006					
Serial Bonds - 3.50% - 4.00%	4,925,000	-	-	4,925,000	45,000
Term Bonds - 3.50% - 4.00%	1,070,000	-	-	1,070,000	-
Capital Appreciation Bonds - 10.15%	999,955	-	999,955	-	-
Accretion on Capital					
Appreciation Bonds	1,298,401	116,644	1,415,045	-	-
Premium on Refunding Series 2006	398,166	-	44,241	353,925	-
Energy Conservation Notes Series 2013 - 2.70%	200,000	-	20,000	180,000	20,000
ARRA State Energy Program Loan - 1.00%	757,675	-	47,184	710,491	47,534
Total Bonds and Notes	<u>17,998,710</u>	<u>346,697</u>	<u>2,699,149</u>	<u>15,646,258</u>	<u>2,513,506</u>
Net Pension Liability					
SERS	4,454,717	-	663,514	3,791,203	-
STRS	23,343,869	-	3,746,826	19,597,043	-
	<u>27,798,586</u>	<u>-</u>	<u>4,410,340</u>	<u>23,388,246</u>	<u>-</u>
Compensated Absences	<u>906,481</u>	<u>142,741</u>	<u>227,137</u>	<u>822,085</u>	<u>128,633</u>
Total Governmental Activities					
Long-Term Obligations	<u>\$ 46,703,777</u>	<u>\$ 489,438</u>	<u>\$ 7,336,626</u>	<u>\$ 39,856,589</u>	<u>\$ 2,642,139</u>

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

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

London 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, 2015, the refunded bonds were no longer outstanding.

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

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

The capital appreciation bonds issued at \$909,909, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2016 in the amount of \$2,525,000. Accretion on the capital appreciation bonds for fiscal year 2015 was \$230,053.

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, 2015, 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 matured in fiscal year 2015 in the amount of \$2,415,000. Accretion on the capital appreciation bonds for fiscal year 2015 was \$116,644.

The bonds will be retired from the Debt Service Fund.

Compensated absences will be paid from the General Fund.

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

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

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

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, 2015, are a voted debt margin of \$28,826,685 and an unvoted debt margin of \$320,297.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 2,513,506	\$ 607,581	\$ 3,121,087
2017	2,633,011	430,479	3,063,490
2018	623,493	367,203	990,696
2019	623,978	344,099	968,077
2020	644,469	320,692	965,161
2021-2025	3,579,885	1,218,994	4,798,879
2026-2030	4,258,121	452,675	4,710,796
Total	<u>\$ 14,876,463</u>	<u>\$ 3,741,723</u>	<u>\$ 18,618,186</u>

NOTE 15 – INTERFUND ACTIVITY

Interfund balances at fiscal year-end consist of the following interfund receivable and payable:

<u>Payable</u>	<u>Receivable General Fund</u>
Other Governmental Funds:	
Race to the Top	\$ 4,553
Title VI-B	167
Totals	<u>\$ 4,720</u>

The amounts due to the General Fund are the result of the District moving unrestricted monies to support grant funds. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

Interfund transfers for fiscal year 2015 were as follows:

<u>Transfers In</u>	<u>Transfers Out General Fund</u>
Other Governmental Funds:	
Permanent Improvement	\$ 150,000
Classroom Facilities	91,800
Totals	<u>\$ 241,800</u>

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION

Jointly Governed Organizations

Metropolitan Educational Technology Association

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization. The organization is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 37 counties in Central Ohio. The META helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of META 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 of Franklin County. Each year, the participating school districts pay a membership fee to META to cover the costs of administering the program. The District's membership payment to META for fiscal year 2015 was \$1,000. Financial information may be obtained from the Metropolitan Educational Technology Association, Scott Armstrong, who serves as Chief Financial Officer, at 2100 Citygate Dr., 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, 72 Flax Dr, London, Ohio 43140.

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.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, INSURANCE PURCHASING POOL, AND RELATED ORGANIZATION (continued)

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 \$89,921 for fiscal year 2015. 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.

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 17 – 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, 2014	\$0
Current Fiscal Year Set-aside Requirement	336,219
Qualifying Disbursements	(521,704)
Set-aside Balance as of June 30, 2015	(\$185,485)
Carried Forward to Fiscal Year 2016	\$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, 2015

NOTE 18 – 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, 2015, if applicable, cannot be determined at this time.

Litigation

The District is not party to any legal proceedings.

State Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 19 – 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	\$ 57,139
Other Governmental Funds	128,787
Fiduciary Funds	4,040
Total	<u>\$ 189,966</u>

NOTE 20 – 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.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 21 – DISCRETELY PRESENTED COMPONENT UNIT

During fiscal year 2015, the Academy paid the District \$442,676 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, 2015, the Academy owes the District \$492,071 for services rendered as of June 30, 2015.

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

Description of the Academy

The Academy operates under the direction of a self-appointed five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but is not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by two non-certified and nine certificated full-time teaching personnel (employed by the District) who provide services to 215 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 and 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 2015.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 21 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

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.

Capital assets are depreciated using the straight-line method. Building improvements are depreciated over a useful life of 20 years and furniture, fixtures and equipment are depreciated over a useful life of 5-20 years.

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.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 21 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Deposits

At fiscal year-end, the carrying amount of the Academy's deposits was \$787,163 and the bank balance was \$793,829. Of the Academy's bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), while the remaining \$543,829 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.

Receivables

Receivables at June 30, 2015, consisted of intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year. At fiscal year-end, the Academy's intergovernmental receivable balance consisted of a Title I receivable for \$13,298.

Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital Assets Being Depreciated:				
Building Improvements	\$ -	\$ 13,650	\$ -	\$ 13,650
Furniture, Fixtures and Equipment	61,569	27,114	-	88,683
Total Depreciable Capital Assets	61,569	40,764	-	102,333
Less Accumulated Depreciation:				
Buildings and Improvements	-	(284)	-	(284)
Furniture, Fixtures and Equipment	(38,901)	(3,069)	-	(41,970)
Total Accumulated Depreciation	(38,901)	(3,353)	0	(42,254)
Capital Assets, Net	\$ 22,668	\$ 37,411	\$ -	\$ 60,079

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 2015, 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.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 21 – DISCRETELY PRESENTED COMPONENT UNIT (continued)

Purchased Services

During the fiscal year, purchased services expenses were \$1,062,659. Of this amount, \$934,747 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 \$127,912.

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, 2015, if applicable, cannot be determined at this time.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. A reviewed performed by ODE revealed the Academy was overpaid by \$203,560 during fiscal year 2015. This amount will be repaid in 23 equal monthly installments.

The Academy is currently not party to any legal proceedings.

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

Pursuant to the agreement, ODE shall recover from the Academy \$477,394, which amount is 30% of the total State aid payments made to the Academy for fiscal year 2013. ODE will recover the amount from the Academy by making deductions from school foundation payments to the Academy in equal monthly installments beginning in November 2014 and ending in November 2020. The Academy made \$52,317 in payments on the agreement and has \$425,077 remaining to be paid.

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the Academy; therefore, any additional financial statement impact is not determinable at this time. ODE and management believe this will result in either an increase or reduction to the liability of the Academy.

Subsequent Event

The Ohio Department of Education (ODE) performed a Full-Time Equivalent (FTE) review of London Academy on February 9, 2016. As a result of this review, ODE has identified errors in the Academy's FTE processes. ODE has issued a letter documenting findings and recommendations to correct these findings. ODE has scheduled a follow up review over for FTE to be performed between May 1, 2016 and July 1, 2016; at which time the recommendations must be implemented. Failure to implement could result in loss of funding for the Academy.

LONDON CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the District implemented *GASB Statement No. 69 “Government Combinations and Disposals of Government Operations”* provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of this statement did not have an effect on the financial statements of the District.

For fiscal year 2015, the District also implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	Governmental Activities
Net Position June 30, 2014	44,491,529
Adjustments:	
Net Pension Liability	(27,798,586)
Deferred Outflows - Payments Subsequent to Measurement Date	1,518,740
Restated Net Position June 30, 2014	18,211,683

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 23 – SUBSEQUENT EVENTS

On September 3, 2015, the District issued Series 2015 Refunding Bonds totaling \$8,950,000 for the purpose of refunding portions of previously issued bonds. The Refunding Bonds have a fixed interest rate ranging from 1.25% to 3.00% and have a final maturity date of December 1, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

**LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST 2 FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.074911%	0.074911%
District's Proportionate Share of the Net Pension Liability	\$ 3,791,203	\$ 4,454,717
District's Covered-Employee Payroll	\$ 2,209,469	\$ 2,063,653
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	171.59%	215.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

**LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST 2 FISCAL YEARS (1)

	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.080568%	0.080568%
District's Proportionate Share of the Net Pension Liability	\$ 19,597,043	\$ 23,343,869
District's Covered-Employee Payroll	\$ 8,474,197	\$ 8,625,318
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	231.26%	270.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

**LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST EIGHT FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 347,859	\$ 330,326	\$ 285,610	\$ 292,277	\$ 130,473	\$ 486,455	\$ 242,429	\$ 232,561
Contributions in relation to the contractually required contribution	\$ 347,859	\$ 330,326	\$ 285,610	\$ 292,277	\$ 130,473	\$ 486,455	\$ 242,429	\$ 232,561
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,639,294	\$ 2,383,304	\$ 2,063,653	\$ 2,173,066	\$ 1,037,971	\$ 3,592,725	\$ 2,463,709	\$ 2,368,238
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

(1) Information prior to 2008 is not available.

**LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$ 1,261,033	\$ 1,188,414	\$ 1,121,291	\$ 1,164,436	\$ 1,344,215	\$ 1,310,173	\$ 1,210,645	\$ 1,153,326	\$ 1,113,000	\$ 1,075,572
Contributions in relation to the contractually required contribution	\$ 1,261,033	\$ 1,188,414	\$ 1,121,291	\$ 1,164,436	\$ 1,344,215	\$ 1,310,173	\$ 1,210,645	\$ 1,153,326	\$ 1,113,000	\$ 1,075,572
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 9,007,379	\$ 9,141,646	\$ 8,625,318	\$ 8,957,203	\$ 10,340,115	\$ 10,078,254	\$ 9,312,654	\$ 8,871,738	\$ 8,561,538	\$ 8,273,631
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

THIS PAGE INTENTIONALLY LEFT BLANK

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Nutrition Cluster:		
Non-cash Assistance - National School Lunch Program	10.555	\$ 51,269
School Breakfast Program	10.553	82,519
National School Lunch Program	10.555	<u>310,297</u>
Total Nutrition Cluster		<u>444,085</u>
Total U.S. Department of Agriculture		<u>444,085</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Adult Education Basic Grants to States	84.002	147
Title I Grants to Local Educational Agencies	84.010	517,861
Special Education Cluster:		
Special Education Grants to States	84.027	404,220
Special Education Preschool Grants	84.173	<u>10,354</u>
Total Special Education Cluster		<u>414,574</u>
Improving Teacher Quality State Grants	84.367	104,155
Race to the Top Incentive Grants	84.395	<u>32,454</u>
Total U.S. Department of Education		<u>1,069,191</u>
Total Federal Awards Expenditures		<u><u>\$ 1,513,276</u></u>

The accompanying notes are an integral part of this schedule.

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the London City School District's (the District's) federal award programs' 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.



Dave Yost • Auditor of State

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 the London City School District, Madison County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

We have audited the London City School District's, Madison County, Ohio (the District's) 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 the London City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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 the District's major federal program 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 program. 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 \$168,254 in federal awards which is not included in the District's Schedule of Federal Awards Expenditures for the year ended June 30, 2015. 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, 2015, it was not subject to OMB Circular A-133 requirements.

Opinion on the 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 its major federal program for the year ended June 30, 2015.

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 the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

**LONDON CITY SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Noncompliance: Certificate of the Fiscal Officer on Purchase Orders	Yes	



Dave Yost • Auditor of State

LONDON CITY SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 31, 2016