

Lima City School District

Allen County

Single Audit

July 1, 2008 through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Education  
Lima City School District  
515 South Calumet Avenue  
Lima, Ohio 45804

We have reviewed the *Independent Auditor's Report* of the Lima City School District, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 16, 2010

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Lima City School District  
Allen County, Ohio

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### Independent Auditor's Report

Lima City School District  
Allen County  
515 South Calumet Avenue  
Lima, Ohio 45804

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lima City School District (the District), Allen County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lima City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

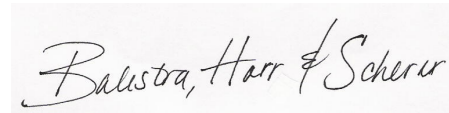
Ohio Administrative Code § 117-2-03 (B) requires the Lima City School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lima City School District, as of June 30, 2009, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund and the Poverty Based Assistance Fund thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2010, on our consideration of the Lima City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Balestra, Harr & Scherer, CPAs, Inc.

August 19, 2010

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the Lima City School District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2009, within the limitations of the District's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

*Overall:*

- For governmental activities, net assets increased \$1,621,245, which represents a 15 percent increase from 2008.
- General receipts accounted for \$38.9 million in receipts or 67 percent of all governmental receipts. Program specific receipts in the form of charges for services and sales and operating and capital grants and contributions accounted for \$19.6 million or 33 percent of total governmental receipts of \$58.5 million.
- The District had \$56.9 million in disbursements related to governmental activities; only \$19.6 million of these disbursements were offset by program specific charges for services and sales and operating and capital grants and contributions. General receipts (primarily grants and entitlements) of \$38.9 million were not adequate to provide for these programs. The District is realizing reduced revenues due to declining student enrollment.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide statements are designed to provide readers with a broad overview of the District's finances. The statement of cash balances presents information on all of the District's cash and investments by activity and by fund type. The statement of receipts, disbursements and changes in cash balances presents information showing how the government's cash balances changed during the most recent fiscal year.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by intergovernmental and taxes revenues. All of the District programs and services are reported here including instruction, support services, administration, operation and maintenance of plant, and extracurricular activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements and both are presented on the cash basis of accounting.



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds - unlike the government-wide financial statements, which report on the District as a whole. The General, Building Construction Project and Poverty Based Assistance Funds are the District's major funds. Some funds are required to be established by State law. Also, the District may establish separate funds to show that it is meeting legal requirements for using grants or other money.

**Notes to the basic financial statements.** The notes provide additional information related to the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Cash Balances at year-end**

The District's cash balances at June 30, 2009 were as follows:

Governmental Activities	\$12,082,940
Fiduciary Activities	275,339

The governmental activities cash balances may be used to meet the government's ongoing obligations to citizens and creditors. The fiduciary activities cash balances are only to be used for scholarships and student managed activities.

**B. Change in Net Assets**

The following table presents a condensed summary of the District's fiscal year 2009 and 2008 and the resulting change in net assets.

	<b>Governmental Activities</b>	
	<b>FY2009</b>	<b>FY2008</b>
<b>RECEIPTS</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$ 2,224,475	\$ 2,389,801
Operating Grants and Contributions	17,401,064	17,148,038
Capital Grants and Contributions	12,266	101,639
Total Program Receipts	19,637,805	19,639,478
<b>General Receipts:</b>		
Property Taxes	9,574,667	9,681,649
Grants and Entitlements	28,634,743	27,568,433
Gifts and Donations	33,862	119,516
Miscellaneous	394,632	379,339
Investment Earnings	213,635	500,919
Rent	53,674	60,810
Sale and Loss of Assets	30,842	1,721
Insurance Recoveries	24,420	32,000
Total General Receipts	38,960,475	38,344,387

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

**B. Change in Net Assets (Continued)**

	<b>Governmental Activities</b>	
	<b>FY2009</b>	<b>FY2008</b>
<b>DISBURSEMENTS</b>		
Instruction:		
Regular	16,897,149	17,053,265
Special	5,690,939	5,469,111
Vocational	1,979,177	1,762,734
Adult/Continuing	219,861	206,486
Other	7,523,648	7,282,695
Support Services:		
Pupils	3,593,538	3,692,920
Instructional Staff	3,066,033	2,881,102
Board of Education	147,384	147,702
Administration	4,356,082	4,327,744
Fiscal	976,074	776,491
Business	186,773	208,519
Operation and Maintenance of Plant	5,233,083	5,217,565
Pupil Transportation	716,229	710,971
Central	624,178	762,893
Operation of Non-Instructional Services	3,291,501	3,417,314
Extracurricular Activities	576,580	638,926
Capital Outlay	84,928	866,660
Debt Service:		
Principal	1,120,000	1,065,000
Interest and Fiscal Charges	693,878	745,204
<b>Total Program Expenses</b>	<u>56,977,035</u>	<u>57,233,302</u>
<b>Increase (Decrease) in Net Assets</b>	1,621,245	750,563
<b>Net Assets Beginning of Year</b>	<u>10,461,695</u>	<u>9,711,132</u>
<b>Net Assets End of Year</b>	<u><u>12,082,940</u></u>	<u><u>10,461,695</u></u>

Of the total governmental activities receipts of \$58,598,280, \$19,637,805 (33.5%) is from program receipts. This means that the government relies on general receipts to fund the majority of the cost of services provided to the citizens. Of those general receipts, 24.6 % (\$9,574,667) comes from property tax levies and 73.5% (\$28,634,743) is from state and federal funding. The District's operations are reliant upon its property tax levy and the state's foundation program. In FY2009, capital grants and contributions were significantly less than in FY2008 due to a decrease in stadium renovation donations.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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**C. Governmental Activities**

The following table presents the total disbursements of each of the government's primary services, and the comparative net after deducting the receipts generated by each function. Approximately 34.5% of the disbursements of the general government programs were recouped in program receipts. Instruction costs were \$32,310,774, but program receipts contributed to fund 30.7% of those costs. Thus, general revenues of \$22,384,818 were used to support the remainder of the instruction costs.

	<u>Total Cost Of Services</u>	<u>Net Cost Of Services</u>
Instruction:		
Regular	16,897,149	12,962,543
Special	5,690,939	1,127,468
Vocational	1,979,177	1,017,654
Adult/Continuing	219,861	145,505
Other	7,523,648	7,131,348
Support Services:		
Pupils	3,593,538	1,943,033
Instructional Staff	3,066,033	658,284
Board of Education	147,384	142,317
Administration	4,356,082	3,825,817
Fiscal	976,074	867,932
Business	186,773	140,145
Operation and Maintenance of Plant	5,233,083	4,666,962
Pupil Transportation	716,229	81,904
Central	624,178	514,946
Operation of Non-Instructional Services	3,291,501	(103,491)
Extracurricular Activities	576,580	323,191
Capital Outlay	84,928	79,794
Debt Service:		
Principal	1,120,000	1,120,000
Interest and Fiscal Charges	693,878	693,878
<b>Total Program Expenses</b>	<u><u>56,977,035</u></u>	<u><u>37,339,230</u></u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS**

**Governmental Funds**

The District has three major governmental funds: the General, Building Construction Project and Poverty Based Assistance Funds. Receipts of these funds comprise \$45,471,002 (77.7%) of the total \$58,543,018 governmental funds receipts.

**General Fund.** Fund cash balance at June 30, 2009 was \$2,702,271 which was \$1,155,014 more than the cash balance at June 30, 2008. The change in the General Fund cash balance is due to normal operating activities of the Fund.

**LIMA CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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**Building Construction Project Fund.** Fund cash balance at June 30, 2009 was \$2,227,215 which was \$61,550 more than the cash balance at June 30, 2008. The change in the Building Construction Fund cash balance is due to the normal operating activities of the Fund. As of June 30, 2009, all buildings were occupied and in the close out phase of the project.

**Poverty Based Assistance Fund.** Fund cash balance at June 30, 2009 was \$1,835,911, which was \$271,051 more than the cash balance at June 30, 2008. The change in the Poverty Based Assistance Fund cash balance is due normal operating activities of the Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The statement comparing the District's General Fund original and final budgets and actual results are included on Page 11. The original budget for a fiscal year is prepared in June each year when the Board adopts temporary appropriations to start the fiscal year that starts July 1. The final budget is adopted and approved by the Board at its June Board meeting each year to close out the year. Each month, the Board adopts amended appropriations for activity as needed. The Board also adopts (at least twice a year) a five-year forecast for the current year and the proceeding four years; this document is the working copy of the District's budget for the general fund and emergency levy fund. The District did approve the final forecast in May, 2009. There were no material variances requiring explanation.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The District's financial statements are prepared on the cash basis of accounting and thus, capital assets acquired by the District are recorded as disbursements when paid and have not been capitalized.

**Debt.** The District did not issue any new debt during the year ended June 30, 2009. The District paid principal of \$1,120,000 on five bond issues. The District does not record debt balances outstanding on the financial statements. See Note 9 to the financial statements for additional information regarding debt.

**CURRENT ISSUES AFFECTING FINANCIAL CONDITIONS**

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the District. Management must plan expenses accordingly, staying within the District's five-year plan.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decisions are unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed " the Ohio General assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any the decision will have on its future State funding and on its financial operations. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

**REQUESTS FOR ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ryan S. Stechschulte, Treasurer at Lima City School District, 515 S. Calumet Avenue, Lima, Ohio 45804.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

Statement of Net Assets - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2009

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	<u><b>Governmental Activities</b></u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 8,684,515
Investments	<u>3,398,425</u>
<i>Total Assets</i>	\$ 12,082,940
NET ASSETS:	
Restricted for Capital Outlay	3,295,542
Restricted for Other Purposes	5,117,849
Restricted for Debt Service	967,278
Unrestricted	<u>2,702,271</u>
<i>Total Net Assets</i>	<u><u>\$ 12,082,940</u></u>

*See accompanying notes to the basic financial statements.*



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

*Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009*

	<u>GENERAL FUND</u>	<u>BUILDING CONSTRUCTION PROJECT</u>	<u>POVERTY BASED ASSISTANCE</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Investments	\$ 1,424,340	\$ 106,721	\$ 1,835,911	\$ 5,317,543	\$ 8,684,515
Investments	<u>1,277,931</u>	<u>2,120,494</u>			<u>\$ 3,398,425</u>
<i>Total Assets</i>	<u>\$ 2,702,271</u>	<u>\$ 2,227,215</u>	<u>\$ 1,835,911</u>	<u>\$ 5,317,543</u>	<u>\$ 12,082,940</u>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	258,945	412,340	35,100	858,246	1,564,631
Reserved for Unclaimed Monies	2,715				2,715
Unreserved, Undesignated, Reported in:					
General Fund	2,440,611				2,440,611
Special Revenue Funds			1,800,811	2,481,296	4,282,107
Debt Service Funds				967,278	967,278
Capital Projects Funds		<u>1,814,875</u>		<u>1,010,723</u>	<u>2,825,598</u>
<i>Total Fund Balances</i>	<u>\$ 2,702,271</u>	<u>\$ 2,227,215</u>	<u>\$ 1,835,911</u>	<u>\$ 5,317,543</u>	<u>\$ 12,082,940</u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009*

	<u>GENERAL</u> <u>FUND</u>	<u>BUILDING</u> <u>CONSTRUCTION</u> <u>PROJECT</u>	<u>POVERTY</u> <u>BASED</u> <u>ASSISTANCE</u>	<u>All Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$ 8,119,212	\$ -	\$ -	\$ 1,455,455	\$ 9,574,667
Intergovernmental	32,103,039	-	3,185,805	10,492,014	45,780,858
Interest	134,474	61,620	-	17,541	213,635
Tuition and Fees	1,386,760	-	-	41,625	1,428,385
Rent	53,674	-	-	-	53,674
Extracurricular Activities	-	-	-	285,547	285,547
Gifts and Donations	-	-	-	288,811	288,811
Customer Sales and Services	20,683	-	-	489,860	510,543
Miscellaneous	405,735	-	-	1,163	406,898
<i>Total Revenues</i>	<u>42,223,577</u>	<u>61,620</u>	<u>3,185,805</u>	<u>13,072,016</u>	<u>58,543,018</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	13,625,973	-	1,448,226	1,822,950	16,897,149
Special	3,760,388	-	285,926	1,644,625	5,690,939
Vocational	1,892,391	-	-	86,786	1,979,177
Adult/Continuing	156,032	-	-	63,829	219,861
Other	7,398,200	-	125,448	-	7,523,648
<b>Support Services:</b>					
Pupils	2,104,961	-	741,848	746,729	3,593,538
Instructional Staff	561,428	-	165,808	2,338,797	3,066,033
Board of Education	147,384	-	-	-	147,384
Administration	3,942,267	-	1,998	411,817	4,356,082
Fiscal	854,213	70	-	121,791	976,074
Business	135,569	-	-	51,204	186,773
Operation and Maintenance of Plant	4,782,195	-	145,500	305,388	5,233,083
Pupil Transportation	578,602	-	-	137,627	716,229
Central	521,010	-	-	103,168	624,178
Operation of Non-Instructional Services	-	-	-	3,291,501	3,291,501
Extracurricular Activities	332,297	-	-	244,283	576,580
Capital Outlay	49,120	-	-	35,808	84,928
<b>Debt Service:</b>					
Principal	-	-	-	1,120,000	1,120,000
Interest	-	-	-	693,878	693,878
<i>Total Expenditures</i>	<u>40,842,030</u>	<u>70</u>	<u>2,914,754</u>	<u>13,220,181</u>	<u>56,977,035</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,381,547</u>	<u>61,550</u>	<u>271,051</u>	<u>(148,165)</u>	<u>1,565,983</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers In	-	-	-	278,500	278,500
Sale and Loss of Assets	30,842	-	-	-	30,842
Insurance Recoveries	21,125	-	-	3,295	24,420
Transfers Out	(278,500)	-	-	-	(278,500)
<i>Total Other Financing Sources and Uses</i>	<u>(226,533)</u>	<u>-</u>	<u>-</u>	<u>281,795</u>	<u>55,262</u>
<i>Net Change in Fund Balances</i>	1,155,014	61,550	271,051	133,630	1,621,245
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>1,547,257</u>	<u>2,165,665</u>	<u>1,564,860</u>	<u>5,183,913</u>	<u>10,461,695</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 2,702,271</u>	<u>\$ 2,227,215</u>	<u>\$ 1,835,911</u>	<u>\$ 5,317,543</u>	<u>\$ 12,082,940</u>

See accompanying notes to the basic financial statements.



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2009*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 8,082,530	\$ 8,086,162	\$ 8,119,212	33,050
Intergovernmental	30,741,476	32,087,650	32,103,039	15,389
Interest	361,473	161,473	134,474	(26,999)
Tuition and Fees	1,549,755	1,405,000	1,386,760	(18,240)
Rent	60,810	60,810	53,674	(7,136)
Customer Sales and Services	28,192	28,192	20,683	(7,509)
Miscellaneous	750,538	391,332	405,735	14,403
<b>Total Revenues</b>	<u>41,574,774</u>	<u>42,220,619</u>	<u>42,223,577</u>	<u>2,958</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	14,119,320	13,771,987	13,645,672	126,315
Special	3,860,897	3,913,135	3,760,385	152,750
Vocational	1,910,087	2,020,791	2,003,665	17,126
Adult/Continuing	125,993	156,586	156,032	554
Other	7,368,166	7,630,431	7,400,574	229,857
<b>Support Services:</b>				
Pupils	2,222,268	2,190,306	2,116,735	73,571
Instructional Staff	704,201	634,161	581,235	52,926
Board of Education	158,463	202,386	154,883	47,503
Administration	4,075,353	3,995,681	3,943,854	51,827
Fiscal	826,047	910,545	854,478	56,067
Business	161,726	143,521	135,569	7,952
Operation and Maintenance of Plant	5,344,011	5,357,635	4,844,165	513,470
Pupil Transportation	610,135	622,435	593,154	29,281
Central	608,831	558,720	529,000	29,720
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	40,629	32,716	31,279	1,437
Sport Oriented Activities	272,465	254,060	250,035	4,025
School and Public Service Co-Curricular Activities	79,870	55,906	51,129	4,777
<b>Capital Outlay:</b>				
Other Facilities Acquisition and Construction	5,000	49,120	49,120	-
<b>Total Expenditures</b>	<u>42,493,462</u>	<u>42,500,122</u>	<u>41,100,964</u>	<u>1,399,158</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(918,688)</u>	<u>(279,503)</u>	<u>1,122,613</u>	<u>1,402,116</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Sale and Loss of Assets	1,721	27,842	30,842	3,000
Insurance Recoveries	-	21,125	21,125	-
Transfers Out	(279,000)	(279,000)	(278,500)	500
<b>Total Other Financing Sources and Uses</b>	<u>(277,279)</u>	<u>(230,033)</u>	<u>(226,533)</u>	<u>3,500</u>
<b>Net Change in Fund Balances</b>	<u>(1,195,967)</u>	<u>(509,536)</u>	<u>896,080</u>	<u>1,405,616</u>
<b>Fund Balance (Deficit) at Beginning of Year</b>	<u>1,035,942</u>	<u>1,035,942</u>	<u>1,035,942</u>	<u>-</u>
<b>Prior Year Encumbrances Appropriated</b>	<u>511,315</u>	<u>511,315</u>	<u>511,315</u>	<u>-</u>
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 351,290</u>	<u>\$ 1,037,721</u>	<u>\$ 2,443,337</u>	<u>\$ 1,405,616</u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

*Statement of Cash Receipts, Disbursements and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
POVERTY BASED ASSISTANCE FUND  
For the Fiscal Year Ended June 30, 2009*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental	\$3,244,232	\$3,185,689	\$3,185,805	\$116
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,017,655	1,445,154	1,448,226	(3,072)
Special	37,133	286,431	285,926	505
Other	38,430	182,652	125,448	57,204
Support Services:				
Pupils	87,285	739,724	741,848	(2,124)
Instructional Staff	42,381	203,945	200,906	3,039
Administrative	-	11,758	1,997	9,761
Operation and Maintenance of Plant	21,348	126,271	145,500	(19,229)
Total Expenditures	<u>3,244,232</u>	<u>2,995,935</u>	<u>2,949,851</u>	<u>46,084</u>
Excess of Revenues Over (Under) Expenditures	-	189,754	235,954	46,200
OTHER FINANCING SOURCES AND USES:				
Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	189,754	235,954	46,200
Fund Balance (Deficit) at Beginning of Year	1,558,781	1,558,781	1,558,781	-
Prior Year Encumbrances Appropriated	<u>6,079</u>	<u>6,079</u>	<u>6,079</u>	<u>-</u>
Fund Balance (Deficit) at End of Year	<u><u>\$1,564,860</u></u>	<u><u>\$1,754,614</u></u>	<u><u>\$1,800,814</u></u>	<u><u>\$46,200</u></u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

*Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2009*

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Current Assets:		
Equity in Pooled Cash and Investments	\$ 244,803	\$ 30,536
<i>Total Assets</i>	<u>\$ 244,803</u>	<u>\$ 30,536</u>
 <b>NET ASSETS:</b>		
Held in Trust for Scholarships	244,803	-
Unrestricted	<u>-</u>	<u>30,536</u>
<i>Total Net Assets</i>	<u>\$ 244,803</u>	<u>\$ 30,536</u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

*Statement of Changes in Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2009*

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	<u>Private</u> <u>Purpose Trust</u> <u>Funds</u>
ADDITIONS:	
Gifts and Contributions	\$ 58,252
Interest	<u>2,735</u>
<i>Total Additions</i>	60,987
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>91,610</u>
<i>Total Deductions</i>	<u>91,610</u>
<i>Change in Net Assets</i>	(30,623)
<i>Net Assets Beginning of Year</i>	<u>275,426</u>
<i>Net Assets End of Year</i>	<u>\$ 244,803</u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Lima 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/or federal guidelines.

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is the 58th largest in the State of Ohio (among 628 school districts) in terms of enrollment. It is staffed by 231 non-certificated employees and 441 certificated full-time teaching personnel who provide services to 4,322 students and other community members. The District currently operates fourteen instructional/support facilities and one administrative center.

**Reporting Entity**

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

Parochial Schools - Within the District boundaries, Lima Central Catholic and three elementary schools are operated by the Toledo Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

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 no component units which are significant in relation to the basic financial statements of the District.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities, nor are they fiscally dependent on the District: the City of Lima, the Parent Teacher Association, and the Allen County Educational Service Center.

The District is associated with four jointly governed organizations, two group purchasing pools and a related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, the West Central Ohio Special Education Regional Resource Center, the West Central Ohio Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the Allen County Schools Health Benefit Plan, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Lima Public Library. These organizations are presented in Notes 13, 14 and 15 to the financial statements.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**B. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets 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 statement of net assets presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in 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. 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.

**C. 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. The funds of the District are divided into two categories, governmental and fiduciary.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**1. Governmental Funds:**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General, Building Construction Project and Poverty Based Assistance Funds.

**General Fund** - The General Fund 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.

**Building Construction Project Fund** – The Building Construction Project Fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

**Poverty Based Assistance Fund** – The Poverty Based Assistance Fund is used to account for monies received and expended in accordance with the requirements of Poverty Based Assistance funding. Poverty Based Assistance is one aspect of the building blocks of school funding and has replaced Disadvantaged Pupil Impact Aid (DPIA) funding.

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

**2. Fiduciary Funds:**

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 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's agency fund accounts for various student-managed activities. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, 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 the limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

**E. Cash and Investments**

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

During fiscal year 2009, investments were limited to Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage, Federal Farm Credit Bank, US Treasury Money Market Funds and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

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 2009 was \$134,474.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Long-Term Liabilities**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**I. Interfund Activity**

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

**J. Net Assets**

Net cash assets represent cash assets held by the District at year-end. Net assets are 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. Restricted for Other Purposes is comprised of net assets restricted for grants. The District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2009, of the District's \$9,380,669 restricted net assets, \$0 was restricted by enabling legislation.

**3. ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This is contrary to Ohio Administrative Code § 117-2-03(B).

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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of deposit, or by savings or deposit accounts including passbook accounts.

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities 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, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

the repayment of all public monies deposited with the institution.

**4. DEPOSITS AND INVESTMENTS (Continued)**

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

**B. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$7,359,018, and the bank balance was \$7,503,712. Of the bank balance, \$931,460 was covered by federal depository insurance and \$6,572,252 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law required that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**C. Investments**

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end.

Description	Market Value	Investment Maturities (in years)		Credit Rating S&P
		Less than 1	1-5	
<b>June 30, 2009:</b>				
Federal National Mortgage Association	1,509,269	-	1,509,269	AAA
Federal Home Loan Bank	806,625	-	806,625	AAA
Federal Home Loan Mortgage	967,759	-	967,759	AAA
Federal Farm Credit Bank	101,484	-	101,484	AAA
US Treasury Money Market Funds	195,007	195,007	-	AAA
STAR Ohio	1,405,629	1,405,629	-	AAA
Total Investments	<u>\$ 4,985,773</u>	<u>\$ 1,600,636</u>	<u>\$ 3,385,137</u>	

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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The District uses the cash basis of accounting and records all investments at cost rather than at market value.

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk** – The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the District manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to five years.

**Credit Risk** –The District limits their investments to Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage, Federal Farm Credit Bank, US Treasury Money Market Funds and STAR Ohio.

**Concentration of Credit Risk** – The District’s investment policy allows investments in Repurchase Agreements, US Government Securities and Instrumentalities, Money Market Mutual Funds and STAR Ohio and allowable investments as defined by Ohio Revised Code Sections 133 and 135. The District has invested 30% in Federal National Mortgage Association, 16% in Federal Home Loan Bank, 19% in Federal Home Loan Mortgage, 2% in Federal Farm Credit Bank, 4% in US Treasury Money Market Funds, and 29% in Star Ohio.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District, other than the District’s repurchase agreements which are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**5. 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 distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property (used in business) located in the District. Real and public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes for calendar year 2009 are levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2008, were levied after April 1, 2008 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**5. PROPERTY TAXES (Continued)**

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Allen County. The County Auditor periodically advances to the District its portion of the taxes collected.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<b>2008 Second- Half Collections</b>		<b>2009 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$298,049,300	89.0%	\$313,604,900	91.88%
Public Utility	15,420,980	4.60%	15,875,450	4.65%
Tangible Personal	<u>\$ 21,448,168</u>	<u>6.40%</u>	<u>\$ 11,845,390</u>	<u>3.47%</u>
Total Assessed Value	<u>\$334,918,448</u>	<u>100.00%</u>	<u>\$341,325,740</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.59		\$41.77	

**6. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District contracted with Indiana Insurance for property, general liability and business personal property insurance. Limits for these coverages are \$127,651,995, \$1,000,000 each occurrence and \$25,000,000, respectively. Professional liability is protected by Indiana Insurance Company with \$1,000,000 each occurrence, \$3,000,000 aggregated limit.

Vehicles are covered by Indiana Insurance Company and are fully covered for comprehensive and \$1,000 deductible for collisions. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Public officials' bond insurance is provided by Ohio Casualty Group for a total of \$160,000.

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**6. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

The District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

**C. Health Insurance**

The District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of some of the school districts within Allen County. The District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**7. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

**A. Defined Benefit Pension Plans**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**A. Defined Benefit Pension Plans (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2009, 2008 and 2007 were \$606,020, \$681,483 and

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\$731,807, respectively which equaled the required contributions each year.

**7. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

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

**A. Defined Benefit Pension Plans (Continued)**

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

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the member's account balance.

**7. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion allocated to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

**A. Defined Benefit Pension Plans (Continued)**

The School District's contributions which were allocated for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,967,679, \$2,981,966 and \$3,004,521, respectively; which equaled the required contributions each year.



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STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**7. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, two of the members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**B. Postemployment Benefits**

**State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio 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 current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio 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 benefit recipients, 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](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$228,283, \$229,382 and \$231,117 for fiscal years 2009, 2008, and 2007, respectively.

**School Employees Retirement System**

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

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**7. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**B. Postemployment Benefits (Continued)**

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2009, 2008, and 2007, the actuarially required allocations were 0.75 percent, 0.66 percent, and 0.68 percent. For the School District, contributions for the years ended June 30, 2009, 2008, and 2007, were \$50,002, \$45,803 and \$46,595, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, 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' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the contributions assigned to health care for the 2009, 2008, and 2007 fiscal years equaled \$377,938, \$394,757 and \$330,779, respectively.

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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

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**8. OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer earn twenty five days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent and the treasurer upon termination of employment. Teachers do not earn vacation time.

**9. LONG-TERM DEBT OBLIGATIONS**

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding such changes in the District's general long-term obligations (excluding capital leases and compensated absences) during 2009 is as follows:

<b>General Long-Term Obligations:</b>	<b>Principal Outstanding 6/30/08</b>	<b>Additions</b>	<b>Deletions</b>	<b>Principal Outstanding 6/30/09</b>	<b>Amount Due Within One Year</b>
General Obligation Bonds - 2000					
School Facilities-Variou Purpose -					
Serial and Term Bonds 5-6%	630,000	0	275,000	355,000	295,000
Capital Appreciation Bonds 9.99%	300,997	0	0	300,997	0
General Obligation Bonds - 2000					
School Facilities					
Serial and Term Bonds 4.7-5.5%	1,835,000	0	425,000	1,410,000	445,000
Capital Appreciation Bonds 10.73%	384,999	0	0	384,999	0
General Obligation Bonds-					
Various Purpose - 2001					
Serial and Term Bonds 5.0%	1,085,000	0	230,000	855,000	235,000
General Obligation Bonds - 2003					
School Improvement					
Serial and Term Bonds 2 -4.8%	4,519,996	0	65,000	4,454,996	0
Capital Appreciation Bonds 24.578%	50,125	0	0	50,125	18,201
General Obligation Bonds - 2005					
School Facilities Refunding					
Serial and Term Bonds 3-5%	8,325,000	0	125,000	8,200,000	130,000
Capital Appreciation Bonds 24.33%	<u>464,990</u>	<u>0</u>	<u>0</u>	<u>464,990</u>	<u>0</u>
Total Long-Term Obligations	<u>\$17,596,107</u>	<u>\$0</u>	<u>\$1,120,000</u>	<u>\$16,476,107</u>	<u>\$1,123,201</u>

**Ohio School Facilities Loan** - On December 3, 1999, the District and the Ohio School Facilities Commission entered into a school facilities agreement pursuant to Ohio Revised Code Section 3318.08 for construction and improvements to its facilities under the State's "Classroom Facilities Program." Under this program, the District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs.

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**9. LONG-TERM DEBT OBLIGATIONS (Continued)**

Generally, the District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three period. The total budget for the project is \$104,029,247, of which \$92,663,247 was awarded in school facilities monies and \$11,366,000 is the District's share of the project. In fiscal year 2009, the District did not receive any school facilities monies. If the District's three-year average adjusted valuation per pupil increases above the state-wide median three-year adjusted valuation per pupil, the District may become responsible for repayment of a portion of the State's contribution. Based on the District's adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote. This debt is not reflected in the general long-term obligations schedule above.

**School Facilities Bonds – Various Purpose** - On June 1, 2000, the District issued \$6,865,997 in general obligation bonds authorized pursuant to a vote of the electors of the District at an election held November 2, 1999, under the authority of the Ohio Revised Code Chapter 133. The proceeds of the Bonds were used to pay outstanding bond anticipation notes issued for the following various purposes: the local share of school construction under the State of Ohio Classroom Facilities Construction Program; to acquire a site for Classroom Facilities; and constructing, improving and making additions to school facilities for a school auditorium and acquiring and installing equipment and furnishings therein. The bond issue included serial, term and capital appreciation bonds in the amount of \$2,535,000, \$4,030,000 and \$300,997, respectively. The bonds were issued for a twenty three year period. On November 10, 2005, a portion of these bonds were refunded. The bonds are being retired with a voted 5.1 mill property tax levy from the Debt Service Fund with a final maturity date of December 1, 2013.

**School Facilities Bonds - Classroom Facilities** - On June 15, 2000, the District issued \$9,999,999 in general obligation bonds authorized pursuant to a vote of the electors of the District at an election held on November 2, 1999, under the authority of Ohio Revised Code Chapter 133. The proceeds of the Bonds were used to pay outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Construction Program. The bond issue included serial, term and capital appreciation bonds in the amount of \$4,580,000, \$5,035,000 and \$384,999, respectively. The bonds were issued for a twenty three year period. On November 10, 2005, a portion of these bonds were refunded. The bonds are being retired with a voted 5.1 mill property tax levy from the Debt Service Fund with a final maturity date of December 1, 2014.

**Various Purpose Bonds** – On December 1, 2001, the District issued \$1,556,988 in unvoted general obligation bonds for the purpose of acquiring school buses, refunding the July 31, 1995 General Obligation Notes issued for energy conservation and refunding the September 25, 1998 General Obligations Bonds issued for the purchase of the Academy of Learning, under the authority of the Ohio Revised Code Section 133. The bonds were issued for a fifteen-year period with final maturity during fiscal year 2017. The bonds are being retired from the Debt Service Fund.

**School Improvement Bonds** – On October 22, 2003, the District issued \$4,764,996 of general obligation bonds authorized pursuant to a vote of the electors of the District at an election held May 6, 2003 under the authority of the Ohio Revised Code Chapter 133. The proceeds of the Bonds were used to pay costs of improving, construction, reconstructing, renovating, remodeling, enlarging, furnishing and equipping (including educational technology) building and facilities and acquiring and improving sites for school purposes. The bond issue included serial, term and capital appreciation bonds in the amount of \$1,625,000, \$3,050,000 and \$89,996, respectively. The bonds were issued for a twenty five-year period with final maturity December 1, 2028. The bonds are being retired from the Debt Service Fund.

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**9. LONG-TERM DEBT OBLIGATIONS (Continued)**

**School Facilities Advance Refunding Bonds** – On November 10, 2005, the District issued \$8,540,000 in serial and term bonds and \$464,990 in capital appreciation bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the following debt. The District placed \$9,825,593 with the refunding bond escrow agent to advance refund \$3,970,000 of the School Facilities Bonds – Various Purpose dated June 1, 2000 and maturing on December 1, 2022 and \$5,035,000 of the School Facilities Bonds – Classroom Facilities dated June 15, 2000 and maturing on December 1, 2022. The bonds were issued for a seventeen-year period with final maturity December 1, 2022. The bonds are being retired from the Debt Service Fund. The amounts of each of the bond issues which were advance refunded are considered defeased and as such are not shown in the accompanying schedule of changes in general long-term obligations.

The capital appreciation bonds issued on June 1, 2000 are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2010 through 2012. The maturity amount of the bonds is \$915,000. However, under the cash basis of accounting, the outstanding balance in the schedule of changes in general long-term obligations is recorded at the original issue amount and no accretion is reported.

The capital appreciation bonds issued on June 15, 2000 are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$1,560,000. However, under the cash basis of accounting, the outstanding balance in the schedule of changes in general long-term obligations is recorded at the original issue amount and no accretion is reported.

The general obligation term bonds issued on October 22, 2003, due on December 1, 2028, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption is at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date of redemption date, as follows:

<b>Year</b>	<b>Principal Amount to be Redeemed</b>
2014	155,000
2016	200,000
2018	240,000
2024	325,000
2026	360,000
2027	375,000

The capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2005 through 2012. The maturity amount of the bonds is \$375,000. However, under the cash basis of accounting, the outstanding balance in the schedule of changes in general long-term obligations is recorded at the original issue amount and no accretion is reported.

The capital appreciation bonds issued on November 10, 2005 are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the bonds is \$2,045,000. However, under the cash basis of accounting, the outstanding balance in the schedule of changes in general long-term obligations is recorded at the original issue amount and no accretion is reported.

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**9. LONG-TERM DEBT OBLIGATIONS (Continued)**

Principal and interest requirements to retire the bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending	Principal	CAB Accreted Principal	Interest	Total
2010	\$1,123,201	\$ 56,799	\$ 640,431	\$ 1,820,431
2011	1,055,253	194,747	591,565	1,841,565
2012	786,806	298,193	552,614	1,637,613
2013	437,818	702,182	530,742	1,670,742
2014	777,866	392,133	510,422	1,680,421
2015-2019	4,375,163	1,984,835	2,159,584	8,519,582
2020-2024	6,130,000	-	975,353	7,105,353
2025-2029	1,790,000	-	221,545	2,011,545
Total	<u>\$16,476,107</u>	<u>\$3,628,889</u>	<u>\$6,182,256</u>	<u>\$26,287,252</u>

The obligation of Capital Appreciation Bonds (CAB) accreted principal above is the difference between the original issue amount and the maturity amount. The table showing changes in long-term debt reflects the original CAB principal amount minus the payment of accreted principal in the year it matures and is paid.

**10. INTERFUND ACTIVITY**

The following interfund activity occurred during the fiscal year:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 278,500
Non-Major Debt Service Fund		
Bond Retirement	<u>278,500</u>	<u>-</u>
Total Non-Major Debt Service Funds	<u>278,500</u>	<u>-</u>
Total Transfers In/Out	<u>\$ 278,500</u>	<u>\$ 278,500</u>

General Fund (Major fund) transfers were made to the Bond Retirement Fund (Non-Major Debt Service Fund). These transfers were routine and made for the retirement of debt.

All intrafund transfers were eliminated for purposes of reporting in the District-Wide Financial Statements since they were within the fund.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**11. CONTRACTUAL COMMITMENTS**

As of June 30, 2009, the District had a contractual commitment to Tuttle Barton Malow for engineering fees in the amount of \$321,045.

**12. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2009, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2008	(\$1,193,049)	(\$20,446,941)
Current Year Set-aside Requirement	751,238	751,238
Current Year Offsets	0	0
Qualifying Disbursements	( <u>730,260</u> )	( <u>342,614</u> )
Total	( <u>\$1,172,071</u> )	( <u>\$20,038,317</u> )

Qualifying expenditures for the textbook reserve exceeded the required set aside by \$1,172,071 and can be carried forward to future years. Accumulated set-aside requirements from bond or note proceeds in the capital improvements set aside may be carried forward to offset future years' requirements. The total reserve cash balance for the two set-asides at the end of the fiscal year was \$0.

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**West Central Ohio Regional Professional Development Center (Center)** - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information may be obtained by contacting Bradley Brown, Treasurer, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840-3087.

**Northwestern Ohio Educational Research Council, Inc.** - The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**14. GROUP PURCHASING POOLS**

**Allen County Schools Health Benefit Plan** - The District participates in the Allen County Schools Health Benefit Plan (the Trust), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts.

Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust. Each school district decides which plans offered to the Board of Education will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan** - The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP) was established as a group purchasing pool. The Executive Director of OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**15. RELATED ORGANIZATION**

**Lima Public Library** - The Lima Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Lima City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, 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 Lima Public Library, Scott Shafer, Clerk/Treasurer, 650 West Market Street, Lima, Ohio 45801.

**16. CONTINGENCIES**

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

**B. Litigation**

The District is not a party to any legal proceedings.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/ Pass-Through Grantor/ Program Titles</b>	<b>CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
<i>(Passed through the Ohio Department of Education)</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	737,919	737,919
National School Lunch Program	10.555	1,312,793	1,312,793
National School Lunch Program - Food Donation	10.555	331,677	331,677
Child and Adult Care Food Program	10.558	13,854	13,854
Summer Food Service Program for Children	10.559	34,621	34,621
<i>Total Child Nutrition Cluster</i>		<u>2,430,864</u>	<u>2,430,864</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,430,864</u>	<u>2,430,864</u>
<b>U.S. Department of Labor</b>			
<i>(Passed through the Ohio Department of Job and Family Services)</i>			
Workforce Investment Act	17.259	201,099	216,865
<b>Total U.S. Department of Labor</b>		201,099	216,865
<b>U.S. Department of Education</b>			
<i>(Passed through the Ohio Department of Education)</i>			
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	\$ 1,409,096	\$ 1,529,820
Special Education - Preschool Grants	84.173	43,907	35,706
<i>Total Special Education Cluster</i>		<u>1,453,003</u>	<u>1,565,526</u>
<i>(Passed through the Ohio Department of Education)</i>			
Adult Education - Basic Gants to States	84.002	10,089	110,967
Title I Grants to Local Educational Agencies	84.010	2,925,873	2,798,714
Career and Technical Education - Basic Grants to States	84.048	171,793	154,743
Safe and Drug-Free Schools and Communities - State Grants	84.186	31,924	31,060
Education for Homeless Children and Youth	84.196	36,082	35,355
Javits Gifted and Talented Students Education Grant Program	84.206	3,000	-
Tech-Prep Education	84.243	6,100	11,660
Twenty-First Century Community Learning Centers	84.287	325,642	317,442
Innovative Education Programs Strategies	84.298	11,394	10,682
Educational Technology State Grants	84.318	158,263	146,277
English Language Acquisition Grants	84.365	3,191	3,291
Improving Teacher Quality - State Grants	84.367	444,490	425,902
<b>Total U.S. Department of Education</b>		4,127,841	4,046,093
<b>U.S. Department of Health and Human Services</b>			
<i>(Passed through the Ohio Department of Education)</i>			
Temporary Assistance for Needy Families	93.558	226,790	235,992
Medical Assistance Program (CAFS)	93.778	380,837	-
<b>Total U.S. Department of Health and Human Services</b>		607,627	235,992
<b>Corporation for National and Community Service</b>			
<i>(Passed through the Ohio Department of Education)</i>			
Learn and Serve America_School and Community Based Programs	94.004	15,000	19,161
<b>Total Corporation for National and Community Service</b>		15,000	19,161
<b>Total Federal Financial Assistance</b>		<u>\$ 8,835,434</u>	<u>\$ 8,514,501</u>

See accompanying notes to the schedule of federal award expenditures.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

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

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

**NOTE C – MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE D – INTRAFUND TRANSFERS**

The District generally must spend Federal Assistance within 15 months of receipt (funds must be obligated by September 30<sup>th</sup>). However, with Ohio Department of Education (“ODE”)’s approval, a District may transfer unspent Federal Assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year’s activity and transferring the amounts ODE approves between the special cost center. During fiscal year 2009, the ODE authorized the following transfers.

<u>Program Title</u>	<u>CFDA</u>	<u>Grant Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Adult Education - Basic Grants to States	84.002	2008	6,538	
Adult Education - Basic Grants to States		2009		6,538
Title I Grants to Local Educational Agencies	84.010	2008	27,813	
Title I Grants to Local Educational Agencies	84.010	2009		27,813
Special Education Preschool Grants, Title VI-B	84.173	2008	2,202	
	84.173	2009		2,202
Education Technology State Grants, Title II-D	84.318	2008	5,548	
	84.318	2009		5,548



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards***

Members of the Board  
Lima City School District  
515 South Calumet Avenue  
Lima, Ohio 45804

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lima City School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 19, 2010, wherein we noted that the District follows the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

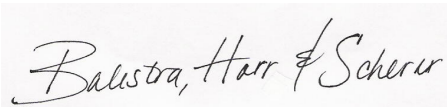
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether Lima City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questions costs as item 2009-001.

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

This report is intended solely for the information and use of the management, members of the Board, others within the district, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
August 19, 2010



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

Members of the Board  
Lima City School District  
515 South Calumet Avenue  
Lima, Ohio 45804

**Compliance**

We have audited the compliance of the Lima City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Lima City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and question costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lima City School District's management. Our responsibility is to express an opinion on Lima City School District's compliance based on our audit.

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

In our opinion, Lima City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

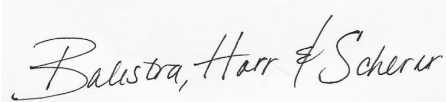
**Internal Control Over Compliance**

The management of Lima City School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Lima City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance (Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of management, Members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 19, 2010

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO  
JUNE 30, 2009**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, CFDA# 84.010 Twenty-First Century Community Learning Centers CFDA# 84.287 School Breakfast Program, CFDA# 10.553; National School Lunch Program CFDA# 10.555; Food Donation Program CFDA# 10.555; Special Milk Program for Children CFDA# 10.556; Summer Food Service Program for Children CFDA# 10.559; Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes



LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO  
JUNE 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

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

**Finding Number 2009-001**

**Noncompliance Citation**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements in accordance with a modified cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**Client Response**

The School District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost beneficial.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	A noncompliance citation was issued for Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected, Reissued as Finding Number 2009-001.



### Independent Auditor's Report on Applying Agreed-Upon Procedures

Lima City School District  
Allen County  
515 South Calumet Avenue  
Lima, Ohio 45804

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

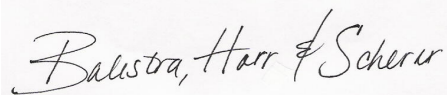
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Lima City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 17, 2008.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 6) A procedure for documenting any prohibited incident that is reported;
  - 7) A procedure for responding to and investigating any reported incident;

- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
January 13, 2010



**Mary Taylor, CPA**  
Auditor of State

**LIMA CITY SCHOOL DISTRICT**

**ALLEN 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  
NOVEMBER 30, 2010**