



Dave Yost • Auditor of State



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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, Allen County, (the School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the 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 accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lima City School District, Allen County, as of June 30, 2010, and the respective changes in modified cash financial position, thereof and the respective budgetary comparison for the General and the Food Service Funds thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information 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. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Dave Yost**  
Auditor of State

March 3, 2011

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

This discussion and analysis provides key information from management highlighting the financial performance of the Lima City School District (the School District) for the year ended June 30, 2010. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the District's basic financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

**Overall:**

- For governmental activities, net assets decreased \$1,464,036, which represents a 12 percent decrease from 2009.
- General receipts accounted for \$42.3 million in receipts or 72 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 \$16.3 million or 28 percent of total governmental receipts of \$58.5 million.
- The District had \$60.0 million in disbursements related to governmental activities; only \$16.3 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 \$42.3 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.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**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 School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School 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.

The School 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 School District as a whole. The General, Food Service and Building Construction Project Funds are the School District's major funds. Some funds are required to be established by State law. Also, the School 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 School District's cash balances at June 30, 2010 were as follows:

Governmental Activities	\$10,618,904
Fiduciary Activities	263,537

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.

The following table provides a summary of the School District's net assets for fiscal year 2010 compared to fiscal year 2009:

	<b>Net Assets</b>	
	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 7,418,195	\$ 8,684,515
Investments	3,200,709	3,398,425
<b>Total Assets</b>	<b>10,618,904</b>	<b>12,082,940</b>
<b>Net Assets:</b>		
Restricted	6,934,014	9,380,669
Unrestricted	3,684,890	2,702,271
<b>Total Net Assets</b>	<b>\$10,618,904</b>	<b>\$12,082,940</b>



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**B. Change in Net Assets**

The following table presents a condensed summary of the School District's fiscal year 2010 and 2009 and the resulting change in net assets.

	<b>Governmental Activities</b>	
	<b>FY2010</b>	<b>FY2009</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$ 2,081,202	\$ 2,224,475
Operating Grants and Contributions	14,103,990	17,401,064
Capital Grants and Contributions	72,256	12,266
Total Program Receipts	<u>16,257,448</u>	<u>19,637,805</u>
<b>General Receipts:</b>		
Property Taxes	9,072,580	9,574,667
Grants and Entitlements	32,693,972	28,634,743
Gifts and Donations	60,383	33,862
Miscellaneous	281,143	394,632
Investment Earnings	84,682	213,635
Rent	57,606	53,674
Sale and Loss of Assets	10,955	30,842
Insurance Recoveries	7,386	24,420
Total General Receipts	<u>42,268,707</u>	<u>38,960,475</u>
Total Program and General Receipts	<u>58,526,155</u>	<u>58,598,280</u>
<b>Disbursements:</b>		
<b>Instruction:</b>		
Regular	17,146,319	16,897,149
Special	6,948,223	5,690,939
Vocational	2,138,074	1,979,177
Adult/Continuing	291,148	219,861
Other	8,670,882	7,523,648
<b>Support Services:</b>		
Pupils	3,544,677	3,593,538
Instructional Staff	2,860,750	3,066,033
Board of Education	110,819	147,384
Administration	4,411,262	4,356,082
Fiscal	1,072,637	976,074
Business	179,714	186,773
Operation and Maintenance of Plant	5,119,869	5,233,083
Pupil Transportation	820,322	716,229
Central	628,992	624,178
Operation of Non-Instructional Services	3,376,438	3,291,501
Extracurricular Activities	582,228	576,580
Capital Outlay	267,406	84,928
<b>Debt Service:</b>		
Principal	1,123,201	1,120,000
Interest and Fiscal Charges	697,230	693,878
Total Program Expenses	<u>59,990,191</u>	<u>56,977,035</u>
Increase (Decrease) in Net Assets	(1,464,036)	1,621,245
Net Assets Beginning of Year	12,082,940	10,461,695
Net Assets End of Year	<u>\$10,618,904</u>	<u>\$12,082,940</u>

**LIMA CITY SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

Of the total governmental activities receipts of \$58,526,155, \$16,257,448 (27.8%) 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, 21.5% (\$9,072,580) comes from property tax levies and 77.4% (\$32,693,972) is from state and federal funding. The School District's operations are reliant upon its property tax levy and the state's foundation program. In FY2010, capital grants and contributions were significantly greater than in FY2009 due to an increase in stadium renovation donations.

**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 27.1% of the disbursements of the general government programs were recouped in program receipts. Instruction costs were \$35,194,646, but program receipts contributed to fund 20.6% of those costs. Thus, general revenues of \$27,963,525 were used to support the remainder of the instruction costs.

<b>Governmental Activities</b>				
	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2010</b>	<b>Total Cost of Services 2009</b>	<b>Net Cost of Services 2009</b>
<b>Instruction:</b>				
Regular	\$17,146,319	\$15,059,790	\$16,897,149	\$12,962,543
Special	6,948,223	3,489,581	5,690,939	1,127,468
Vocational	2,138,074	1,070,182	1,979,177	1,017,654
Adult/Continuing	291,148	165,431	219,861	145,505
Other	8,670,882	8,178,541	7,523,648	7,131,348
<b>Support Services:</b>				
Pupil	3,544,677	2,891,803	3,593,538	1,943,033
Instructional Staff	2,860,750	1,001,365	3,099,033	658,284
Board of Education	110,819	107,277	4,356,082	142,317
Administration	4,411,262	3,969,650	976,074	3,825,817
Fiscal	1,072,637	956,245	186,773	867,932
Business	179,714	140,314	186,773	140,145
Operation and Maintenance of Plant	5,119,869	3,372,678	5,233,083	4,666,962
Pupil Transportation	820,322	418,498	716,229	81,904
Central	628,992	578,736	624,178	514,946
Operation of Non- Instructional Services	3,376,438	(94,432)	3,291,501	(103,491)
Extracurricular Activities	582,228	339,656	576,580	323,191
Capital Outlay	267,406	266,997	84,928	79,794
Debt Service				
Principal	1,123,201	1,123,201	1,120,000	1,120,000
Interest and Fiscal Charges	697,230	697,230	693,878	693,878
<b>Total Program Expenses</b>	<b><u>\$59,990,191</u></b>	<b><u>(\$43,732,743)</u></b>	<b><u>\$56,977,035</u></b>	<b><u>\$37,339,230</u></b>

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Financial Analysis of The District's Individual Funds**

**Governmental Funds**

The District has three major governmental funds: the General, Food Service, and Building Construction Project Funds. Receipts of these funds comprise \$46,503,619 (79.1%) of the total \$58,798,030 governmental funds receipts.

**General Fund** - Fund cash balance at June 30, 2010 was \$3,684,890 which was \$982,619 more than the cash balance at June 30, 2009. The change in the General Fund cash balance is due to normal operating activities of the Fund.

**Food Service Fund** - Fund cash balance at June 30, 2010 was \$1,113,472, which was \$75,056 more than the cash balance at June 30, 2009. The change in the Food Service Fund cash balance is due normal operating activities of the Fund.

**Building Construction Project Fund** - Fund cash balance at June 30, 2010 was \$2,013,789 which was \$213,426 less than the cash balance at June 30, 2009. The change in the Building Construction Fund cash balance is due to the the close out phase of the project.

**General Fund Budgetary Highlights**

The statement comparing the School District's General Fund original and final budgets and actual results are included on Page 13. 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. The School District approved the final forecast in May, 2010. There were no significant variances between the original and final budget and between the final budget and actual.

**Capital Asset And Debt Administration**

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

**Debt** - The School District did not issue any new debt during the year ended June 30, 2010. The School District paid principal of \$1,123,201 on five bond issues. The School District does not record debt balances outstanding on the financial statements. See Note 10 to the financial statements for additional information regarding debt.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**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 School 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**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2010**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
<b>Current Assets:</b>	
Equity in Pooled Cash and Investments	\$7,418,195
Investments	3,200,709
Total Assets	<u>10,618,904</u>
<b>Net Assets:</b>	
Restricted for Capital Outlay	3,093,844
Restricted for Other Purposes	2,863,726
Restricted for Debt Service	976,444
Unrestricted	3,684,890
Total Net Assets	<u><u>\$10,618,904</u></u>

*See accompanying notes to the basic financial statements.*

LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Disbursements) Receipts and Changes in Net Assets	
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$17,146,319	\$499,201	\$1,587,328		(\$15,059,790)
Special	6,948,223	117,979	3,340,663		(3,489,581)
Vocational	2,138,074	77,650	990,242		(1,070,182)
Adult/Continuing	291,148	4,632	121,085		(165,431)
Other	8,670,882	269,335	223,006		(8,178,541)
<b>Support Services:</b>					
Pupils	3,544,677	77,629	575,245		(2,891,803)
Instructional Staff	2,860,750	20,330	1,839,055		(1,001,365)
Board of Education	110,819	3,542			(107,277)
Administration	4,411,262	130,240	311,372		(3,969,650)
Fiscal	1,072,637	33,687	82,529	\$176	(956,245)
Business	179,714	39,400			(140,314)
Operation and Maintenance of Plant	5,119,869	118,705	1,628,486		(3,372,678)
Pupil Transportation	820,322	20,299	381,525		(418,498)
Central	628,992	19,345	30,911		(578,736)
Operation of Non-Instructional Services	3,376,438	455,650	2,988,293	26,927	94,432
Extracurricular Activities	582,228	193,169	4,250	45,153	(339,656)
Capital Outlay	267,406	409			(266,997)
<b>Debt Service:</b>					
Principal	1,123,201				(1,123,201)
Interest and Fiscal Charges	697,230				(697,230)
<b>Total Governmental Activities</b>	<u>\$59,990,191</u>	<u>\$2,081,202</u>	<u>\$14,103,990</u>	<u>\$72,256</u>	<u>(43,732,743)</u>
<b>General Revenues :</b>					
Grants and Entitlements not Restricted to Specific Programs					32,693,972
Gifts and Donations					60,383
Interest					84,682
Miscellaneous					281,143
Property and Other Local Taxes					9,072,580
Rent					57,606
Proceeds from Sale of Capital Assets					10,955
Insurance Recoveries					7,386
<b>Total General Receipts</b>					<u>42,268,707</u>
Change in Net Assets					(1,464,036)
Net Assets Beginning of Year					<u>12,082,940</u>
Net Assets End of Year					<u>\$10,618,904</u>

See accompanying notes to the basic financial statements.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Building Construction Project</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$2,354,275	\$1,113,472	\$143,695	\$3,806,753	\$7,418,195
Investments	1,330,615		1,870,094		3,200,709
Total Assets	<u>3,684,890</u>	<u>1,113,472</u>	<u>2,013,789</u>	<u>3,806,753</u>	<u>10,618,904</u>
<b>Fund Balances:</b>					
<b>Reserved:</b>					
Reserved for Encumbrances	401,328	66,783	421,038	824,141	1,713,290
Reserved for Unclaimed Monies	2,715				2,715
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	3,280,847				3,280,847
Special Revenue Funds		1,046,689		999,789	2,046,478
Debt Service Funds				976,444	976,444
Capital Projects Funds			1,592,751	1,006,379	2,599,130
Total Fund Balances	<u>\$3,684,890</u>	<u>\$1,113,472</u>	<u>\$2,013,789</u>	<u>\$3,806,753</u>	<u>\$10,618,904</u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Building Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property and Other Local Taxes	\$7,680,999			\$1,391,581	\$9,072,580
Intergovernmental	34,208,675	\$2,322,040		10,083,975	46,614,690
Interest	41,265	308	\$41,391	1,718	84,682
Tuition and Fees	1,300,328			40,472	1,340,800
Rent	57,606				57,606
Extracurricular Activities				220,174	220,174
Gifts and Donations				270,758	270,758
Customer Sales and Services	62,014	458,214			520,228
Miscellaneous	311,863	575		13,858	326,296
<b>Total Revenues</b>	<u>43,662,750</u>	<u>2,781,137</u>	<u>41,391</u>	<u>12,022,536</u>	<u>58,507,814</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	14,750,592			2,395,727	17,146,319
Special	3,673,205			3,275,018	6,948,223
Vocational	1,933,149			204,925	2,138,074
Adult/Continuing	145,064			146,084	291,148
Other	8,385,998			284,884	8,670,882
<b>Support Services:</b>					
Pupils	2,400,358			1,144,319	3,544,677
Instructional Staff	632,026		771	2,227,953	2,860,750
Board of Education	110,819			0	110,819
Administration	4,053,317			357,945	4,411,262
Fiscal	949,894	17,550	75	105,118	1,072,637
Business	130,574			49,140	179,714
Operation and Maintenance of Plant	3,693,419			1,426,450	5,119,869
Pupil Transportation	630,528			189,794	820,322
Central	602,195			26,797	628,992
Operation of Non-Instructional Services	11,445	2,692,181		672,812	3,376,438
Extracurricular Activities	306,929			275,299	582,228
Capital Outlay	13,435		253,971		267,406
<b>Debt Service:</b>					
Principal				1,123,201	1,123,201
Interest				697,230	697,230
<b>Total Expenditures</b>	<u>42,422,947</u>	<u>2,709,731</u>	<u>254,817</u>	<u>14,602,696</u>	<u>59,990,191</u>
Excess of Revenues Over (Under) Expenditures	<u>1,239,803</u>	<u>71,406</u>	<u>(213,426)</u>	<u>(2,580,160)</u>	<u>(1,482,377)</u>
<b>Other Financing Sources and Uses:</b>					
Transfers In				271,875	271,875
Sale and Loss of Assets	7,305	3,650			10,955
Insurance Recoveries	7,386				7,386
Transfers Out	(271,875)				(271,875)
<b>Total Other Financing Sources and Uses</b>	<u>(257,184)</u>	<u>3,650</u>		<u>271,875</u>	<u>18,341</u>
Net Change in Fund Balances	982,619	75,056	(213,426)	(2,308,285)	(1,464,036)
Fund Balance at Beginning of Year	<u>2,702,271</u>	<u>1,038,416</u>	<u>2,227,215</u>	<u>6,115,038</u>	<u>12,082,940</u>
Fund Balance at End of Year	<u>\$3,684,890</u>	<u>\$1,113,472</u>	<u>\$2,013,789</u>	<u>\$3,806,753</u>	<u>\$10,618,904</u>

See accompanying notes to the basic financial statements.



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<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	\$7,980,000	\$7,680,999	\$7,680,999	
Intergovernmental	35,436,942	34,195,911	34,208,675	\$12,764
Interest	100,000	38,700	41,265	2,565
Tuition and Fees	1,181,750	1,289,888	1,300,328	10,440
Rent	40,000	56,656	57,606	950
Customer Sales and Services	17,500	48,235	62,014	13,779
Miscellaneous	341,445	311,809	311,863	54
Total Revenues	<u>45,097,637</u>	<u>43,622,198</u>	<u>43,662,750</u>	<u>40,552</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	14,553,522	14,793,960	14,786,639	7,321
Special	3,789,926	3,674,678	3,673,703	975
Vocational	1,731,103	1,999,470	1,995,959	3,511
Adult/Continuing	155,250	145,611	145,412	199
Other	7,842,820	8,395,922	8,395,465	457
<b>Support Services:</b>				
Pupils	2,132,077	2,412,139	2,409,955	2,184
Instructional Staff	621,890	638,000	635,348	2,652
Board of Education	172,757	169,174	168,193	981
Administration	4,024,961	4,070,904	4,063,383	7,521
Fiscal	932,407	1,003,258	995,307	7,951
Business	127,741	131,118	130,574	544
Operation and Maintenance of Plant	5,219,475	3,821,820	3,762,146	59,674
Pupil Transportation	637,575	657,841	646,769	11,072
Central	542,365	683,869	680,345	3,524
<b>Non-Instructional Services:</b>				
Community Services		11,713	11,445	268
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	31,731	29,748	29,720	28
Sport Oriented Activities	253,660	236,691	235,785	906
School and Public Service Co-Curricular Activities	51,855	44,917	44,703	214
<b>Capital Outlay:</b>				
Other Facilities Acquisition and Construction	20,000	13,435	13,435	
Total Expenditures	<u>42,841,115</u>	<u>42,934,268</u>	<u>42,824,286</u>	<u>109,982</u>
Excess of Revenues Over Expenditures	2,256,522	687,930	838,464	150,534
<b>Other Financing Sources and Uses:</b>				
Sale and Loss of Assets	2,000	7,300	7,305	5
Insurance Recoveries		3,822	7,386	3,564
Transfers Out	(656,804)	(272,670)	(271,875)	795
Total Other Financing Sources and Uses	<u>(654,804)</u>	<u>(261,548)</u>	<u>(257,184)</u>	<u>4,364</u>
Net Change in Fund Balances	1,601,718	426,382	581,280	154,898
Fund Balance at Beginning of Year	2,443,337	2,443,337	2,443,337	
Prior Year Encumbrances Appropriated	<u>258,945</u>	<u>258,945</u>	<u>258,945</u>	
Fund Balance at End of Year	<u>\$4,304,000</u>	<u>\$3,128,664</u>	<u>\$3,283,562</u>	<u>\$154,898</u>

See accompanying notes to the basic financial statements.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
FOOD SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Intergovernmental	\$2,157,711	\$2,323,470	\$2,322,040	(\$1,430)
Interest	2,475	339	308	(31)
Customer Sales and Services	461,100	458,214	458,214	
Miscellaneous	500	500	575	75
Total Revenues	<u>2,621,786</u>	<u>2,782,523</u>	<u>2,781,137</u>	<u>(1,386)</u>
<b>Expenditures:</b>				
Fiscal	12,000	17,550	17,550	
Operation of Non-Instructional Services	<u>2,650,534</u>	<u>2,764,021</u>	<u>2,758,964</u>	<u>5,057</u>
Total Expenditures	<u>2,662,534</u>	<u>2,781,571</u>	<u>2,776,514</u>	<u>5,057</u>
Excess of Revenues Over (Under) Expenditures	(40,748)	952	4,623	3,671
<b>Other Financing Sources and Uses:</b>				
Sale and Loss of Assets		<u>3,650</u>	<u>3,650</u>	
Net Change in Fund Balances	(40,748)	4,602	8,273	3,671
Fund Balance at Beginning of Year	977,460	977,460	977,460	
Prior Year Encumbrances Appropriated	<u>60,956</u>	<u>60,956</u>	<u>60,956</u>	
Fund Balance (Deficit) at End of Year	<u>\$997,668</u>	<u>\$1,043,018</u>	<u>\$1,046,689</u>	<u>\$3,671</u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets:</b>		
<b>Current Assets:</b>		
Equity in Pooled Cash and Investments	\$232,510	\$31,027
Total Assets	<u>232,510</u>	<u>31,027</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	232,510	
Unrestricted		31,027
Total Net Assets	<u>\$232,510</u>	<u>\$31,027</u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Gifts and Contributions	\$66,065
Interest	221
Total Additions	<u>66,286</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>78,579</u>
Total Deductions	<u>78,579</u>
Change in Net Assets	(12,293)
Net Assets Beginning of Year	<u>244,803</u>
Net Assets End of Year	<u><u>\$232,510</u></u>

*See accompanying notes to the basic financial statements.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

The School District was established in 1856 through the consolidation of existing land areas and school districts. The School 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 450 certificated full-time teaching personnel who provide services to 4,166 students and other community members. The School District currently operates twelve 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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

**Parochial Schools** - Within the School 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 School 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 School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units which are significant in relation to the basic financial statements of the School District.

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

The School District is associated with three jointly governed organizations, one group purchasing pool and a related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, the West Central Ohio Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the Allen County Schools Health Benefit Plan, and the Lima Public Library. These organizations are presented in Notes 14, 15 and 16 to the financial statements.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

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

The School 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 School 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 School 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 School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School 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 School District's general receipts.

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School 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 School 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Fund Accounting**

The School 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 School District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds:**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General, Food Service and Building Construction Project 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Food Service Fund** – The Food Service Fund is used to account for monies received and expended related to food service operations.

**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 School District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the School 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's Trust Fund accounts for scholarships and the 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.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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.

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 School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments."

During fiscal year 2010, investments were limited to Federal National Mortgage Association, Federal Home Loan Bank, US Treasury Notes, 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, 2010.

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 2010 was \$41,265, which included \$18,210 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are 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.



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**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 School District.

**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 School 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 School 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 School 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, 2010, of the School District's \$6,934,014 restricted net assets, \$0 was restricted by enabling legislation.

**3. ACCOUNTABILITY AND COMPLIANCE**

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 on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

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

Interim monies 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. 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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

10. 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 School 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 the repayment of all public monies deposited with the institution.

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 School 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 School District had \$200 in un-deposited cash on hand which is included on the balance sheet of the School 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 School 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 School District's deposits was \$6,137,202, and the bank balance was \$6,233,729. Of the bank balance, \$1,250,000 was covered by federal depository insurance and \$4,983,729 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 School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

Description	Carrying Value	Market Value	Investment Maturities (in years)		Credit Rating S&P
			Less than 1	1-5	
<b>June 30, 2010:</b>					
Federal National Mortgage Assoc.	\$ 903,050	\$ 907,741		\$ 907,741	AAA
Federal Home Loan Bank	804,456	806,375		806,375	AAA
US Treasury Notes	1,493,202	1,501,722		1,501,722	AAA
US Treasury Money Market Funds	210,074	210,074	\$ 210,074		AAA
STAR Ohio	1,334,257	1,334,257	1,334,257		AAA
Total Investments	<u>\$4,745,039</u>	<u>\$4,760,169</u>	<u>\$1,544,331</u>	<u>\$3,215,838</u>	

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

**Interest Rate Risk** – The School 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 School District manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to five years.

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

**Concentration of Credit Risk** – The School 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 School District has invested 19% in Federal National Mortgage Association, 17% in Federal Home Loan Bank, 32% in US Treasury Notes, 4% in US Treasury Money Market Funds, and 28% in STAR Ohio.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School 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 School District’s securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School 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 School District’s fiscal year runs from July through June. First-half tax distributions are received by the School 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 School District. Real and public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes for calendar year 2010 are levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date.

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**5. PROPERTY TAXES (Continued)**

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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2009, were levied after April 1, 2009 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.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009 and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 through 2010, the School District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011 through 2017, the reimbursements will be phased out.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<b>2009 Second- Half Collections</b>		<b>2010 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$313,604,900	91.88%	\$317,388,460	94.52%
Public Utility	15,875,450	4.65%	16,761,210	4.99%
Tangible Personal	<u>11,845,390</u>	<u>3.47%</u>	<u>1,640,840</u>	<u>.49%</u>
Total Assessed Value	<u>\$341,325,740</u>	<u>100.00%</u>	<u>\$335,790,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.77		\$41.59	

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. RISK MANAGEMENT**

**A. Property and Liability**

The School 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 2010, the School District contracted with The Midwestern Indemnity Company 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 The Midwestern Indemnity Company with \$1,000,000 each occurrence, \$1,000,000 aggregated limit.

Vehicles are covered by The Midwestern Indemnity Company and have a \$1,000 deductible for comprehensive and 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 American States Insurance Company for a total of \$160,000.

**B. Workers' Compensation**

The School District provided Workers' Compensation for its employees. The firm of Sheakley Uniservice, Inc. provided administrative, cost control, assistance with safety programs, and actuarial services to the School District.

**C. Health Insurance**

The School 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 School 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**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP).

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$2,930,907, \$2,967,679, and \$2,981,966 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010 were \$87,689 made by the School District and \$62,634 made by plan members.

**B. School Employees Retirement System**

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

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$880,438, \$606,020, and \$635,680, respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, one of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**8. POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Plan Description** - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$232,200, \$228,283 and \$229,382 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. School Employees Retirement System**

**Plan Description** - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit.



**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$104,037.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$31,690, \$277,342, and \$290,081 respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$52,358, \$50,002, and \$45,803 respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**9. 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.

**10. 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 School District's general long-term obligations (excluding capital leases and compensated absences) during 2010 is as follows:

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

<b>General Long-Term Obligations</b>	<b>Principal Outstanding 6/30/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Principal Outstanding 6/30/10</b>	<b>Amount Due Within One Year</b>
<u>General Obligations Bonds - 2000</u>					
School Facilities-Variou Purpose- Serial and Term Bonds 5-6%	\$ 355,000		\$ 295,000	\$ 60,000	
Capital Appreciation Bonds 9.99%	300,997			300,997	\$ 110,253
<u>General Obligation Bonds - 2000</u>					
School Facilities					
Serial and Term Bonds 4.7-5.5%	1,410,000		445,000	965,000	470,000
Capital Appreciation Bonds 10.73%	384,999			384,999	
<u>Variou Purpose - 2001</u>					
Serial and Term Bonds 5.0%	855,000		235,000	620,000	245,000
<u>General Obligation Bonds – 2003</u>					
School Improvement					
Serial and Term Bonds 2-4.8%	4,454,996			4,454,996	95,000
Capital Appreciation Bonds 24.578%	50,125		18,201	31,924	
<u>General Obligation Bonds - 2005</u>					
School Facilities Refunding					
Serial and Term Bonds 3-5%	8,200,000		130,000	8,070,000	135,000
Capital Appreciation Bonds 24.33%	464,990			464,990	
<b>Total Long-Term Obligations</b>	<b>\$16,476,107</b>	<b>\$0</b>	<b>\$1,123,201</b>	<b>\$15,352,906</b>	<b>\$1,055,253</b>

**Ohio School Facilities Loan** - On December 3, 1999, the School 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 School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs.

The total budget for the project was \$104,029,247, of which \$92,663,247 was awarded in school facilities monies and \$11,366,000 was the School District's share of the project. The School District issued bonds which are being repaid from the proceeds of a tax levy. An additional property tax levy of one-half mill levy was levied for a twenty-three year period to maintain the facilities. If the School District's three-year average adjusted valuation per pupil increases above the state-wide median three-year adjusted valuation per pupil, the School District may become responsible for repayment of a portion of the State's contribution. Based on the School 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 – Variou Purpose** - On June 1, 2000, the School District issued \$6,865,997 in general obligation bonds authorized pursuant to a vote of the electors of the School 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.

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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 School District issued \$9,999,999 in general obligation bonds authorized pursuant to a vote of the electors of the School 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 School 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 School District issued \$4,764,996 of general obligation bonds authorized pursuant to a vote of the electors of the School 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.

**School Facilities Advance Refunding Bonds** – On November 10, 2005, the School 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 School 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 2011 through 2013. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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 2013 through 2015. 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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
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 2006 through 2013. 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 2016 and 2017. 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.

Principal and interest requirements to retire the bonds outstanding at June 30, 2010 are as follows:

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.

<u>Ending</u>	<u>Principal</u>	<u>CAB accreted Principal</u>	<u>Interest</u>	<u>Total</u>
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	805,174	404,825	478,474	1,688,473
2016-2020	4,934,989	1,580,010	1,989,380	8,504,379
2021-2025	5,090,000		744,324	5,834,324
2026-2029	1,465,000		144,304	1,609,304
Totals	<u>\$15,352,906</u>	<u>\$3,572,090</u>	<u>\$5,541,825</u>	<u>\$24,466,821</u>

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. INTERFUND ACTIVITY**

The following interfund activity occurred during the fiscal year:

<b>Interfund Transfers</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund		\$271,875
Non-Major Debt Service Fund		
Bond Retirement	\$271,875	
Total Non-Major Debt Service Funds	271,875	
Total Transfers In/Out	\$271,875	\$271,875

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 School District-Wide Financial Statements since they were within the fund.

**12. CONTRACTUAL COMMITMENTS**

As of June 30, 2010, the School District had a contractual commitment to Tuttle Barton Malow for engineering fees in the amount of \$321,045.

**13. STATUTORY RESERVES**

The School 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, 2010, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set Aside Reserve Balance June 30, 2009		
Current Year Set Aside Requirement	\$ 736,419	\$736,419
Current Year Qualifying Expenditures	(768,882)	(342,625)
Excess Qualified Expenditures from Prior Years	(1,172,071)	
Current Year Offsets		
Prior Year Offset from Bond Proceeds		(393,794)
Total	(\$1,204,534)	\$ 0
Balance Carried Forward to Fiscal Year 2011	(1,204,534)	
Set Aside Reserve Balance June 30, 2010	\$ 0	\$ 0

Qualifying expenditures for the textbook reserve exceeded the required set aside by \$(1,204,534) and can be carried forward to future years. The total reserve cash balance for the two set-asides at the end of the fiscal year was \$0.

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The School 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 Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**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 Greg Spiess, 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., 441 East Market Street, Celina, Ohio 45822.

**15. GROUP PURCHASING POOLS**

**Allen County Schools Health Benefit Plan** - The School 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 Brian Rockhold, who serves as Chairman, at the Allen County Educational Service Center, 1920 Slabtown Road, Lima, Ohio 45804.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**16. 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 School District for operational subsidies. Although the School 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.

**17. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**B. Litigation**

The School District is party to legal proceedings. At this time, the School District is of the opinion that ultimate disposition of claims will not have a material effect on the financial position of the School District.

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**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>United States Department of Agriculture</b>					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$102,117		\$102,117
National School Lunch Program	10.555		306,350		306,350
Cash Assistance:					
School Breakfast Program	10.553	\$800,454		\$800,454	
National School Lunch Program	10.555	1,358,294		1,358,294	
Summer Food Service Program For Children	10.559	59,682		59,682	
Total Nutrition Cluster		<u>2,218,430</u>	<u>408,467</u>	<u>2,218,430</u>	<u>408,467</u>
Team Nutrition Grants	10.574	4,000		3,240	
Child Nutrition Discretionary Grants Limited Availability	10.579	27,103		27,103	
Fresh Fruit and Vegetable Program	10.582	15,711		15,711	
Total United States Department of Agriculture		<u>2,265,244</u>	<u>408,467</u>	<u>2,264,484</u>	<u>408,467</u>
<b>United States Department of Labor</b>					
(Passed through Ohio Department of Job and Family Services)					
(Passed through Allen County Department of Job and Family Services)					
Workforce Investment Act - Youth	17.259	241,124		214,585	
<b>ARRA</b> Workforce Investment Act - Youth, Recovery Act	17.259	122,218		102,381	
Total United States Department of Labor		<u>363,342</u>		<u>316,966</u>	
<b>Department of Transportation, Federal Highway Administration</b>					
(Passed through Ohio Department of Education)					
Highway Planning and Construction	20.205			2,304	
<b>United States Department of Education</b>					
(Passed through Ohio Department of Education)					
Adult Education Basic Grants to States	84.002	198,500		239,469	
Title I Cluster:					
Title I Grants to Local Educational Agencies	84.010	2,148,663		2,807,767	
School Improvement Subsidy A	84.010	209,857		252,605	
Total Title I Grants to Local Educational Agencies and School Improvement		<u>2,358,520</u>		<u>3,060,372</u>	
<b>ARRA</b> Title I Grants to Local Educational Agencies, Recovery Act	84.389	525,800		525,492	
Total Title I Cluster		<u>2,884,320</u>		<u>3,585,864</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	1,375,223		1,506,579	
Special Education Preschool Grants	84.173	37,792		47,234	
<b>ARRA</b> Special Education Grants to States, Recovery Act	84.391	784,844		792,479	
(Passed through Putnam County Educational Service Center)					
Special Education Grants to States	84.027	5,900		7,375	
Total Special Education Cluster		<u>2,203,759</u>		<u>2,353,667</u>	
(Passed through Ohio Department of Education)					
Career and Technical Education Basic Grants to States	84.048	80,065		117,192	
Safe and Drug Free Schools and Communities	84.186	23,350		26,725	

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
Education for Homeless Children and Youth Cluster:					
Education for Homeless Children and Youth	84.196	22,357		23,991	
<b>ARRA</b> Education for Homeless Children and Youth, Recovery Act	84.387	18,996		17,353	
Total Education for Homeless Children and Youth Cluster		<u>41,353</u>		<u>41,344</u>	
 (Passed through Rhodes State College)					
Tech-Prep Education	84.243	11,911		4,199	
 (Passed through Ohio State University)					
Twenty-First Century Community Learning Centers	84.287	9,070		7,062	
 (Passed through Ohio Department of Education)					
Twenty-First Century Community Learning Centers	84.287	<u>152,564</u>		<u>200,619</u>	
Total Twenty-First Century Community Learning Centers		161,634		207,681	
State Grants for Innovative Programs	84.298			410	
Education Technology State Grants Cluster:					
Education Technology State Grants	84.318	40,612		52,934	
<b>ARRA</b> Education Technology State Grants, Recovery Act	84.386	<u>136,195</u>		<u>132,736</u>	
Total Education Technology State Grants Cluster		<u>176,807</u>		<u>185,670</u>	
English Language Acquisition Grants	84.365			4,634	
Improving Teacher Quality State Grants	84.367	344,406		420,508	
School Improvement Subsidy G, Title I	84.377	39,157		21,044	
<b>ARRA</b> State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	2,064,867		1,513,317	
Total United States Department of Education		<u>8,230,129</u>		<u>8,721,724</u>	
<b>United States Department of Health and Human Services</b>					
(Passed through Ohio Department of Education)					
Medical Assistance Program (CAFS)	93.778	277,302			
Temporary Assistance for Needy Families	93.558	58,560		5,618	
(Passed through Ohio Department of Job and Family Services)					
Temporary Assistance for Needy Families	93.558			<u>51,965</u>	
Total Temporary Assistance for Needy Families		<u>58,560</u>		<u>57,583</u>	
Total United States Department of Health and Human Services		<u>335,862</u>		<u>57,583</u>	
Total Federal Financial Assistance		<u>\$11,194,577</u>	<u>\$408,467</u>	<u>\$11,363,061</u>	<u>\$408,467</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE E - COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS)**

The Medical Assistance Program did not have program expenditures in fiscal year 2010. The receipts were reimbursements for CAFS expenditures incurred in prior periods.

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lima City School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 3, 2011, wherein we noted the School District used a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 3, 2011.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

March 3, 2011



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Lima City School District, Allen County, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Lima City School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

As described in finding 2010-02 in the accompanying schedule of findings, the School District did not comply with requirements regarding *cash management* applicable to its ARRA State Fiscal Stabilization Fund (SFSF), Education State Grants major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Lima City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2010.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-02 to be a material weakness.

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

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



**Dave Yost**  
Auditor of State

March 3, 2011



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Workforce Investment Act - Youth CFDA #17.259 and ARRA Workforce Investment Act CFDA #17.259 Title I Grants to Local Educational Agencies CFDA #84.010, and ARRA-Title I Grants to Local Educational Agencies – Recovery Act CFDA #84.389) Special Education Grants to States CFDA #84.027, Special Education Preschool Grants CFDA #84.173, and ARRA-Special Education Grants to States – Recovery Act CFDA #84.391) Education Technology State Grants CFDA #84.318, and ARRA-Education Technology State Grants – Recovery Act CFDA #84.386) ARRA – State Fiscal Stabilization Fund – CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 353,146 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2010-01**

**Noncompliance Citation**

**Ohio Rev. 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 Rev. Code Section 117.38.

**Ohio Admin 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 standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare their financial statements according to generally accepted accounting principles.

**OFFICIALS' RESPONSE:**

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

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2010-02
<b>CFDA Title and Number</b>	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants CFDA #84.394
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation / Material Weakness**

**34 CFR 80.20 (b)(7)** requires that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements.

**FINDING NUMBER 2010-02  
(Continued)**

The School District received advance payments of ARRA State Fiscal Stabilization Funds (SFSF) from the Ohio Department of Education (ODE) via the State Foundation Settlement Sheet. During the year, the School accumulated a positive cash balance in the SFSF fund due to the School not spending the cash received in a timely manner. Between October 2009 and May 2010, the ending balances of the SFSF Fund ranged from \$334,595 to \$569,503. At June 30, the unspent balance of the SFSF Fund was \$551,550.

The failure to spend federal grants in a timely manner could result in the School District being required to return funding to the grantor agency. The loss of federal grant money could negatively impact the operations of the School District.

The School District should implement procedures to help assure that the balances of federal grant funds are spent in a timely manner.

**OFFICIALS' RESPONSE:**

The School District used the SFSF Fund to pay teacher salaries and benefits. The last pay for teachers for their FY10 contract was 9-3-10. The SFSF Fund was exhausted after FY10 contracts were paid in full.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) –failed to prepare financial statements in accordance with Generally Accepted Accounting Principles.	No	Repeated as Finding 2010-01

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-02	Ensure all funds are spent by June 30, 2011.	June 30, 2011	Ryan Stechschulte, Treasurer

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# Dave Yost • 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  
MARCH 31, 2011