



**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Lima City School District, Allen County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

We were unable to obtain sufficient evidential matter to support the amounts recorded as fixed assets in the General Fixed Assets Account Group. The General Fixed Asset Account Group accounts for 61% of the total assets of the District as shown on the accompanying Combined Balance Sheet as of June 30, 1999.

In our opinion, except for the General Fixed Assets Account Group, upon which we express no opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Board of Education
Lima City School District
Allen County
Report of Independent Accountants

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

JIM PETRO
Auditor of State

February 7, 2000

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COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,290,182	\$1,021,659	\$12,500	\$660,355
Investments	499,922	0	0	0
Receivables:				
Taxes	8,310,459	0	0	333,590
Accounts	0	0	0	0
Accrued Interest	17,283	0	0	0
Due from Other Funds	583,208	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	31,540	0	0	0
Prepaid Items	61,463	720	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	476,150	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$14,270,207</u>	<u>\$1,022,379</u>	<u>\$12,500</u>	<u>\$993,945</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$104,700	\$146,202	\$0	\$99,800
Accrued Wages and Benefits	2,587,431	435,461	0	0
Compensated Absences Payable	71,060	0	0	0
Due to Other Funds	4,766	114,209	0	353,999
Due to Students	0	0	0	0
Intergovernmental Payable	467,687	52,427	0	0
Deferred Revenue	7,746,981	0	0	333,590
Bonds Payable	0	0	0	0
Notes Payable	0	0	0	0
Total Liabilities	<u>10,982,625</u>	<u>748,299</u>	<u>0</u>	<u>787,389</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	232,418	78,200	0	175,339
Reserved for Inventory	31,540	0	0	0
Reserved for Prepaid Items	61,463	720	0	0
Reserved for Property Taxes	563,478	0	0	0
Reserved for Principal	0	0	0	0
Reserved for Debt Service	0	0	12,500	0
Reserved for Budget Stabilization	476,150	0	0	0
Unreserved (Deficit)	1,922,533	195,160	0	31,217
Total Fund Equity and Other Credits	<u>3,287,582</u>	<u>274,080</u>	<u>12,500</u>	<u>206,556</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$14,270,207</u>	<u>\$1,022,379</u>	<u>\$12,500</u>	<u>\$993,945</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$103,215	\$469	\$260,037	\$0	\$0	\$6,348,417
0	0	0	0	0	\$499,922
0	0	0	0	0	8,644,049
59,449	0	0	0	0	59,449
0	0	0	0	0	17,283
4,766	0	0	0	0	587,974
26,135	0	0	0	0	26,135
9,524	0	0	0	0	41,064
112	0	0	0	0	62,295
0	0	0	0	0	476,150
76,544	0	0	38,472,523	0	38,549,067
0	0	0	0	12,500	12,500
0	0	0	0	7,291,264	7,291,264
\$279,745	\$469	\$260,037	\$38,472,523	\$7,303,764	\$62,615,569
\$9,551	\$0	\$16,958	\$0	\$0	\$377,211
113,563	0	0	0	0	3,136,455
61,972	0	0	0	4,426,320	4,559,352
115,000	0	0	0	0	587,974
0	0	32,575	0	0	32,575
113,058	0	51	0	257,456	890,679
12,897	0	0	0	0	8,093,468
0	0	0	0	1,000,000	1,000,000
0	0	0	0	1,619,988	1,619,988
426,041	0	49,584	0	7,303,764	20,297,702
0	0	0	38,472,523	0	38,472,523
(146,296)	469	0	0	0	(145,827)
0	0	131	0	0	486,088
0	0	0	0	0	31,540
0	0	0	0	0	62,183
0	0	0	0	0	563,478
0	0	134,279	0	0	134,279
0	0	0	0	0	12,500
0	0	0	0	0	476,150
0	0	76,043	0	0	2,224,953
(146,296)	469	210,453	38,472,523	0	42,317,867
\$279,745	\$469	\$260,037	\$38,472,523	\$7,303,764	\$62,615,569

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Taxes	\$7,706,145	\$0	\$0	\$309,658	\$0	\$8,015,803
Tuition and Fees	52,982	0	0	0	0	52,982
Intergovernmental	24,650,027	5,094,195	0	772,303	0	30,516,525
Interest	380,170	45,176	12,500	0	1,128	438,974
Extracurricular Activities	0	212,034	0	0	3,212	215,246
Customer Services	60,607	0	0	0	0	60,607
Gifts and Donations	0	13,817	0	0	1,649	15,466
Rent	9,462	0	0	0	0	9,462
Miscellaneous	33,640	15,346	0	153,000	4,000	205,986
Total Revenues	32,893,033	5,380,568	\$12,500	1,234,961	9,989	39,531,051
Expenditures:						
Current:						
Instruction:						
Regular	13,248,628	570,594	0	546,615	2,139	14,367,976
Special	2,942,901	1,977,658	0	0	0	4,920,559
Vocational	1,654,450	0	0	0	0	1,654,450
Adult/Continuing	106,336	67,929	0	0	0	174,265
Other	328,318	0	0	0	0	328,318
Support Services:						
Pupils	1,797,194	564,635	0	0	0	2,361,829
Instructional Staff	849,515	0	0	0	0	849,515
Board of Education	15,953	217,150	0	0	0	233,103
Administration	3,457,907	298	0	0	0	3,458,205
Fiscal	458,404	42,788	0	6,282	0	507,474
Business	230,850	0	0	0	1,849	232,699
Operation and Maintenance of Plant	3,820,728	6,341	0	2,880	0	3,829,949
Pupil Transportation	334,616	6,341	0	0	0	340,957
Central	466,373	686,450	0	0	0	1,152,823
Non-Instructional Services	0	142,875	0	0	4,368	147,243
Extracurricular Activities	467,762	0	0	80,662	0	548,424
Capital Outlay	12,876	0	0	859,380	0	872,256
Debt Service:						
Principal Retirement	0	0	411,000	0	0	411,000
Interest and Fiscal Charges	0	0	145,361	0	0	145,361
Total Expenditures	30,192,811	5,389,573	556,361	1,495,819	8,356	37,642,920
Excess of Revenues Over (Under)						
(Under) Expenditures	2,700,222	(9,005)	(543,861)	(260,858)	1,633	1,888,131
Other Financing Uses:						
Operating Transfers In	394,754	5,565	556,361	40,000	0	996,680
Proceeds from Sale of Long-Term Notes	250,000	0	0	0	0	250,000
Other Financing Sources	0	483	0	0	0	483
Operating Transfers Out	(996,680)	0	0	0	0	(996,680)
Total Other Financing Sources (Uses)	(351,926)	6,048	556,361	40,000	0	250,483
Excess of Revenues Over (Under)						
Expenditures and Other Financing Uses	2,348,296	(2,957)	12,500	(220,858)	1,633	2,138,614
Fund Balances at Beginning of Year	939,286	277,037	0	427,414	22,816	1,666,553
Fund Balances at End of Year	\$3,287,582	\$274,080	\$12,500	\$206,556	\$24,449	\$3,805,167

See Accompanying Notes to the General Purpose Financial Statements

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COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$7,691,272	\$7,683,563	(\$7,709)	\$0	\$0	\$0
Tuition and Fees	39,088	52,982	13,894	0	0	0
Intergovernmental	24,354,936	24,971,839	616,903	5,506,896	4,777,150	(729,746)
Interest	241,170	380,316	139,146	45,176	45,176	0
Rent	4,220	9,462	5,242	0	0	0
Extracurricular Activities	0	0	0	200,659	212,034	11,375
Gifts and Donations	0	0	0	16,265	13,817	(2,448)
Customer Services	78,123	60,607	(17,516)	0	0	0
Miscellaneous	12,858	33,640	20,782	15,955	15,829	(126)
Total Revenues	32,421,667	33,192,409	770,742	5,784,951	5,064,006	(720,945)
Expenditures:						
Current						
Instruction:						
Regular	13,269,082	13,269,082	0	658,849	573,369	85,480
Special	2,925,533	2,925,533	0	2,409,115	1,966,468	442,647
Vocational	1,685,799	1,685,799	0	0	0	0
Adult/Continuing	127,718	127,718	0	74,134	50,112	24,022
Other	367,996	367,996	0	0	0	0
Support Services:						
Pupils	1,756,011	1,756,011	0	1,453,924	1,151,066	302,858
Instructional Staff	859,687	859,687	0	625,470	524,669	100,801
Board of Education	16,584	16,584	0	0	0	0
Administration	3,593,475	3,593,475	0	235,284	218,773	16,511
Fiscal	460,768	460,768	0	300	300	0
Business	241,679	241,679	0	51,213	51,213	0
Operation and Maintenance of Plant	4,034,487	4,034,487	0	0	0	0
Pupil Transportation	385,637	385,637	0	0	0	0
Central	468,236	468,236	0	0	0	0
Noninstructional Services	0	0	0	846,029	725,890	120,139
Extracurricular Activities	474,686	474,686	0	165,600	165,600	0
Capital Outlay	12,876	12,876	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	30,680,254	30,680,254	0	6,519,918	5,427,460	1,092,458
Excess of Revenues Over (Under) Expenditures	<u>1,741,413</u>	<u>2,512,155</u>	<u>770,742</u>	<u>(734,967)</u>	<u>(363,454)</u>	<u>371,513</u>
Other Financing Sources (Uses):						
Refund of Prior Years Expenditures	8,624	35,192	26,568	0	55	55
Proceeds from Sale of Long-Term Notes	250,000	250,000	0	0	0	0
Proceeds from Sale of Fixed Assets	10	0	(10)	0	0	0
Advances In	201,036	202,965	1,929	199,282	54,067	(145,215)
Advances Out	(558,067)	(558,067)	0	(61,052)	(61,052)	0
Operating Transfers In	0	394,754	394,754	29,040	5,565	(23,475)
Operating Transfers Out	(996,680)	(996,680)	0	0	0	0
Total Other Financing Sources (Uses)	(1,095,077)	(671,836)	423,241	167,270	(1,365)	(168,635)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	646,336	1,840,319	1,193,983	(567,697)	(364,819)	202,878
Fund Balances at Beginning of Year	2,785,141	2,785,141	0	946,866	946,866	0
Prior Year Encumbrances Appropriated	169,802	169,802	0	234,791	234,791	0
Fund Balances at End of Year	\$3,601,279	\$4,795,262	\$1,193,983	\$613,960	\$816,838	\$202,878

See Accompanying Notes to the General Purpose Financial Statements

GOVERNMENTAL FUND TYPES						FIDUCIARY FUND TYPE		
Debt Service Fund			Capital Projects Fund			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$297,480	\$309,658	\$12,178	\$0	\$0	\$0
0	0	0	0	0	0	0	0	0
0	0	0	772,314	772,303	(11)	0	0	0
0	12,500	12,500	25,565	0	(25,565)	1,274	1,127	(147)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	7,945	3,213	(4,732)
0	0	0	0	0	0	11,768	1,649	(10,119)
0	0	0	0	0	0	0	0	0
0	0	0	310,917	153,000	(157,917)	4,000	4,000	0
0	12,500	12,500	1,406,276	1,234,961	(171,315)	24,987	9,989	(14,998)
0	0	0	560,458	546,615	13,843	2,486	2,486	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	6,463	6,463	0	0	0	0
0	0	0	0	0	0	2,029	2,029	0
0	0	0	2,880	2,880	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	4,368	4,368	0
0	0	0	569,909	278,179	291,730	0	0	0
0	0	0	633,429	925,159	(291,730)	0	0	0
411,000	411,000	0	0	0	0	0	0	0
145,361	145,361	0	0	0	0	0	0	0
556,361	556,361	0	1,773,139	1,759,296	13,843	8,883	8,883	0
(556,361)	(543,861)	12,500	(366,863)	(524,335)	(157,472)	16,104	1,106	(14,998)
0	0	0	0	181	181	0	162	162
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	389,000	409,000	20,000	0	0	0
0	0	0	(161,914)	(161,914)	0	0	0	0
575,280	556,361	(18,919)	50,000	40,000	(10,000)	0	0	0
0	0	0	0	0	0	0	0	0
575,280	556,361	(18,919)	277,086	287,267	10,181	0	162	162
18,919	12,500	(6,419)	(89,777)	(237,068)	(147,291)	16,104	1,268	(14,836)
0	0	0	233,773	233,773	0	22,507	22,507	0
0	0	0	316,503	316,503	0	542	542	0
\$18,919	\$12,500	(\$6,419)	\$460,499	\$313,208	(\$147,291)	\$39,153	\$24,317	(\$14,836)

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	PROPRIETARY FUNDS		FIDUCIARY FUND	(Memorandum Only)
	Enterprise	Internal Service	NonExpendable Trust	
Operating Revenues:				
Sales	\$693,433	\$0	\$0	693,433
Interest	0	0	13,537	13,537
Other Revenue	1,378	11	0	1,389
Contributions and Donations	0	0	5,583	5,583
Total Operating Revenues	<u>694,811</u>	<u>11</u>	<u>19,120</u>	<u>713,942</u>
Operating Expenses:				
Salaries	853,323	0	0	853,323
Fringe Benefits	238,250	0	0	238,250
Purchased Services	109,890	240	0	110,130
Materials and Supplies	1,214,136	0	0	1,214,136
Depreciation	9,402	0	0	9,402
Other	1,258	0	50,092	51,350
Total Operating Expenses	<u>2,426,259</u>	<u>240</u>	<u>50,092</u>	<u>2,476,591</u>
Operating Loss	(1,731,448)	(229)	(30,972)	(1,762,649)
Non-Operating Revenues:				
Federal Donated Commodities	123,840	0	0	123,840
Federal and State Subsidies	1,109,239	0	0	1,109,239
Interest Income	4,766	0	0	4,766
Other	0	0	(35,273)	(35,273)
Total Non-Operating Revenues	<u>1,237,845</u>	<u>0</u>	<u>(35,273)</u>	<u>1,202,572</u>
Net Income	(493,603)	(229)	(66,245)	(560,077)
Retained Earnings/Fund Balance at Beginning of Year	<u>347,307</u>	<u>698</u>	<u>252,249</u>	<u>600,254</u>
Retained Earnings/Fund Balance at End of Year	<u>(\$146,296)</u>	<u>\$469</u>	<u>\$186,004</u>	<u>\$40,177</u>

See Accompanying Notes to the General Purpose Financial Statements

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**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY/FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds			Internal Service Funds			Non-Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Sales	\$549,390	\$665,412	\$116,022	\$0	\$0	\$0	\$0	\$0	\$0
Tuition and Fees	46,911	30,725	(16,186)	2,166	11	(2,155)	0	0	0
Federal and State Subsidies	1,236,144	1,109,239	(126,905)	0	0	0	0	0	0
Interest	32,334	0	(32,334)	0	0	0	14,383	13,536	(847)
Contributions and Donations	0	0	0	0	0	0	9,635	5,583	(4,052)
Other Revenues	10	0	(10)	0	0	0	0	0	0
Total Revenues	1,864,789	1,805,376	(59,413)	2,166	11	(2,155)	24,018	19,119	(4,899)
Expenses:									
Salaries	881,449	881,449	0	0	0	0	0	0	0
Fringe Benefits	215,502	215,502	0	0	0	0	0	0	0
Purchased Services	119,756	119,756	0	240	240	0	0	0	0
Materials and Supplies	1,070,258	1,070,258	0	0	0	0	0	0	0
Other	716	716	0	0	0	0	50,091	50,091	0
Capital Outlay	55,656	55,656	0	0	0	0	0	0	0
Total Expenses	2,343,337	2,343,337	0	240	240	0	50,091	50,091	0
Excess of Revenues Under Expenses	(478,548)	(537,961)	(59,413)	1,926	(229)	(2,155)	(26,073)	(30,972)	(4,899)
Advances In	175,000	230,000	55,000	0	0	0	0	0	0
Advances Out	(115,000)	(115,000)	0	0	0	0	0	0	0
Excess of Revenues Under Expenses and Advances and Transfers	(418,548)	(422,961)	(4,413)	1,926	(229)	(2,155)	(26,073)	(30,972)	(4,899)
Fund Equity/Fund Balance at Beginning of Year	433,330	433,330	0	698	698	0	216,976	216,976	0
Prior Year Encumbrances Appropriated	50,697	50,697	0	0	0	0	0	0	0
Fund Equity/Fund Balance at End of Year	\$65,479	\$61,066	(\$4,413)	\$2,624	\$469	(\$2,155)	\$190,903	\$186,004	(\$4,899)

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non Expendable</u>	
	Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:				
Cash Received from Customers	\$696,137	\$11	\$19,119	\$715,267
Cash Payments to Suppliers for Goods and Services	(1,209,439)	(240)	(50,091)	(1,259,770)
Cash Payments to Employees for Services	(878,449)	0	0	(878,449)
Cash Payments for Employee Benefits	(213,300)	0	0	(213,300)
Net Cash Provided by (Used for) Operating Activities	<u>(1,605,051)</u>	<u>(229)</u>	<u>(30,972)</u>	<u>(1,636,252)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	1,109,239	0	0	1,109,239
Advances In	230,000	0	0	230,000
Advances Out	(115,000)	0	0	(115,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,224,239</u>	<u>0</u>	<u>0</u>	<u>1,224,239</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(380,812)	(229)	(30,972)	(412,013)
Cash and Cash Equivalents at Beginning of Year	484,027	698	216,976	701,701
Cash and Cash Equivalents at End of Year	<u>\$103,215</u>	<u>\$469</u>	<u>\$186,004</u>	<u>\$289,688</u>

**Reconciliation of Operating Income (Loss) to Net
Cash Provided by (Used for) Operating Activities:**

Operating Income (Loss)	(\$1,731,448)	(\$229)	(\$30,972)	(\$1,762,649)
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**Adjustments to Reconcile Operating Income (Loss)
to Net Cash Provided by (Used for) Operating Activities:**

Depreciation	9,402	0	0	9,402
Donated Commodities Used During Year	123,840	0	0	123,840
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	1,326	0	0	1,326
(Increase)/Decrease in Commodities Inventory	1,349	0	0	1,349
(Increase)/Decrease in Materials and Supplies Inventory	(9,524)	0	0	(9,524)
(Increase)/Decrease in Prepaid Items	90	0	0	90
Increase/(Decrease) in Accounts Payable	1,297	0	0	1,297
Increase/(Decrease) in Accrued Wages	(24,646)	0	0	(24,646)
Increase/(Decrease) in Compensated Absences Payable	5,299	0	0	5,299
Increase/(Decrease) in Intergovernmental Payable	19,172	0	0	19,172
Increase/(Decrease) in Deferred Revenue	(1,208)	0	0	(1,208)
Total Adjustments	<u>126,397</u>	<u>0</u>	<u>0</u>	<u>126,397</u>

Net Cash Provided by Operating Activities	<u>(\$1,605,051)</u>	<u>(\$229)</u>	<u>(\$30,972)</u>	<u>(\$1,636,252)</u>
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Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 1998:

Total Cash and Cash Equivalents per Balance Sheet, Trust and Agency Funds	\$260,037
Cash and Cash Equivalents - Expendable Trust Funds and Agency Funds	74,033
Cash and Cash Equivalents - Nonexpendable Trust Funds as of June 30, 1988	<u>\$186,004</u>

The accompanying notes are an integral part of the financial statements.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Lima City 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 317 non-certificated employees and 500 certificated full-time teaching personnel who provide services to 5,792 students and other community members. The School District currently operates fourteen instructional/support facilities and one administrative center.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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 Lima City 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 does not have any component units.

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

The District is associated with one jointly governed organization and two insurance pools. These organizations include the Northwest Ohio Computer Services Cooperative, the Allen County Schools Health Benefit Plan, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lima City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds.

Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Standard County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District's records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements, certificates of deposit, and Federal National Mortgage Association Discount Notes. Except for nonparticipation investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash managements pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when purchased.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Reported prepaid items are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Restricted Assets

Restricted assets in the general fund represent cash set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. At June 30, 1999, the School District has a \$271,873 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. A fund balance reserve has also been established.

H. Fixed Assets and Depreciation/Contributed Capital

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. There was no change in contributed capital during the fiscal year. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Subsidy

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Professional Development Block Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B
- Drug-Free School Grant
- Financial Literacy Grant
- Eisenhower Math and Science
- Adult Basic Education
- Vocational Education
- Goals 2000
- SchoolNet Professional Development
- Equity in Technology
- Mobility in Assistance
- Textbook Subsidy
- Conflict Management Grant

Capital Projects Funds

- SchoolNet Grant
- Classroom Facilities Emergency Repair
- Technology Equity Grant

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

- National School Lunch Program
- National School Breakfast Program
- Summer Food Program
- Government Donated Commodities

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid with governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds. Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Use of Estimates

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

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid expenditures, and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - RESTATEMENT DUE TO PRIOR PERIOD ADJUSTMENTS

The fund balances of the Enterprise Fund, Proprietary Fund Type and General Fixed Assets Account Group have been restated. This restatement is due to an appraisal of fixed assets which increased the Enterprise Fund, Proprietary Fund Type to \$347,307 from the \$284,037 previously reported as of June 30, 1998.

Due to the appraisal, the General Fixed Assets Account Group was restated to \$38,259,819 from \$19,950,035 as previously reported June 30, 1998.

The fund balances of the Capital Projects Fund and Special Revenue Fund were restated to \$427,414 and \$277,036 from \$424,921 and \$279,530, respectively, due to a reclassification of the Stadium Renovation Fund previously reported as a special revenue fund type as of June 30, 1998.

NOTE 4 - COMPLIANCE

The District had significant noncompliance with the following Ohio Rev. Code Sections regarding budgetary compliance: Estimated revenue significantly exceeded actual revenue both during the year and at year end contrary to Ohio Rev. Code Section 5705.36; and expenditures for certain funds exceeded appropriations contrary to Ohio Rev. Code Section 5705.41(B).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budget Basis) - All Governmental Fund Types and Similar Fiduciary Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budget Basis) - All Proprietary Fund Types and Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis fund balances/fund equity by fund type.

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP basis	\$ 3,287,582	\$274,080	\$12,500	\$206,556	\$24,449
Adjustments:					
Revenue accruals	(9,003,953)	(718)	0	(333,591)	0
Expenditure accruals	10,982,624	748,297	0	787,390	50
Encumbrances Outstanding (Budget Basis)	<u>(470,991)</u>	<u>(204,821)</u>	<u>0</u>	<u>(347,147)</u>	<u>(182)</u>
Budget basis	<u>\$ 4,795,262</u>	<u>\$816,838</u>	<u>\$12,500</u>	<u>\$313,208</u>	<u>\$24,317</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

	Enterprise	Internal Service	Nonexpendable Trust
GAAP basis	\$(146,296)	\$469	\$186,004
Adjustments:			
Revenue accruals	(176,530)	0	0
Expense accruals	426,041	0	0
Encumbrances Outstanding (Budget Basis)	<u>(42,149)</u>	<u>0</u>	<u>0</u>
Budget basis	<u>\$ 61,066</u>	<u>\$469</u>	<u>\$186,004</u>

NOTE 6 - 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.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

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.

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States or any other obligation guaranteed as to principal and interest by the United States;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any 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 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. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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.

Cash on Hand

At fiscal year end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$3,562,354 and the bank balance was \$4,157,427. Of the bank balance, \$300,000 was covered by federal depository insurance and the remaining amounts were uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 1	Category 3	Original Cost	Market Value
Repurchase Agreement	\$0	\$3,263,555	\$3,263,555	\$3,263,555
Federal Agency Securities	<u>\$499,922</u>	<u>0</u>	<u>\$499,922</u>	<u>\$498,280</u>
Totals	<u>\$499,922</u>	<u>\$3,263,555</u>	<u>\$3,763,477</u>	<u>\$3,761,835</u>

The classification of cash and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$7,324,489	\$0
Cash on Hand	(300)	0
Repurchase Agreement	(3,263,555)	3,263,555
FHLB	<u>(498,280)</u>	<u>498,280</u>
GASB Statement 3	<u>\$3,562,354</u>	<u>\$3,761,835</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$203,268,960	73.19%	\$203,447,700	74.31%
Public Utility	30,609,890	11.02	9,772,400	14.82
Tangible Personal Property	<u>43,855,890</u>	<u>15.79</u>	<u>40,564,225</u>	<u>10.87</u>
Total Assessed Value	<u>\$277,734,740</u>	<u>100.00%</u>	<u>\$273,784,325</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.25		\$40.23	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Allen County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collection for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 1999 was \$563,478 in the general fund. The amount available as an advance at June 30, 1998 was \$540,896 and was recognized as revenue in the general fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent and student fees), interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Fixtures	\$626,586
Less Accumulated Depreciation	<u>550,042</u>
Net Book Value	<u>\$ 76,544</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Restated Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Buildings	\$28,670,256	\$0	\$0	\$28,670,256
Land and Land Improvements	1,072,305	0	0	1,072,305
Furniture and Fixtures	8,334,097	129,056	0	8,463,153
Vehicles	<u>183,161</u>	<u>83,648</u>	<u>0</u>	<u>266,809</u>
Total	<u>\$38,259,819</u>	<u>\$212,704</u>	<u>\$0</u>	<u>\$38,472,523</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with Nationwide Insurance for property and general liability and boiler and machinery insurance. Boiler and machinery coverage has \$500 deductible per object. Professional liability is protected by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 aggregated limit.

Vehicles are covered by Nationwide Insurance Company and are fully covered for comprehensive and \$100 deductible for collisions. Automobile liability has a \$2,000,000 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 the Ohio Casualty Insurance Company, for a total of \$80,000.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 18). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually.

The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

C. Health Insurance

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Lima City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Lima City School District is required to contribute 14 percent; 7.7 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$379,230, \$413,954, and \$423,374, respectively.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Lima City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Lima City School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,167,876, \$1,969,317, and \$2,173,980, respectively.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. As of July 1, 1998 (the latest information available), eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 1998 (the latest information available), net health care costs paid by SERS were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per year, depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next twenty-four months. Accumulated, unused vacation time is paid to, or used by, classified employees upon termination or separation from employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month which is 15 days annually. For teachers, such days shall accumulate equal to the number of days contracted for plus thirty-five. For administrators and classified employees, such days shall accumulate to an unlimited number. Vested sick leave is accumulated and, if unused, is paid upon retirement at the rate of one fourth of the first one hundred and twenty days plus one seventh of any days in excess on one hundred and twenty days (300 days maximum for classified employees) at the daily rate of pay being received at the time of final service.

Accumulated vacation and sick leave of Governmental Fund type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Debt Account Group. Vacation and sick leave for employees paid from the Proprietary Funds is recorded as an expense and fund liability when earned.

B. Health Care Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through the Health Benefit Plan disclosed in Note 18. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the District to most employees through the Plan which is administered by CoreSource.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during fiscal year 1999 were as follows:

General Long-Term Obligations:	Principal Outstanding 6/30/98	Additions	Deletions	Principal Outstanding 6/30/99
General Obligation Bonds-School Building Construction-Interest Rate-Variou	\$970,000	\$0	\$220,000	\$750,000
General Obligation Bonds- Academy of Learning	0	250,000	0	250,000
General Obligation Notes-Energy Note	<u>1,810,988</u>	<u>0</u>	<u>191,000</u>	<u>1,619,988</u>
Total General Long-Term Obligations	2,780,988	250,000	411,000	2,619,988
Compensated Absences	3,230,436	1,195,884	0	4,426,320
Intergovernmental Payable	<u>221,417</u>	<u>36,039</u>	<u>0</u>	<u>257,456</u>
Total Long-Term Obligations	<u>\$6,232,841</u>	<u>\$1,481,923</u>	<u>\$411,000</u>	<u>\$7,303,764</u>

General Obligation Bond - On June 1, 1991, Lima City School District issued \$2,050,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Section 3317.22. The bonds were issued for a ten-year period with final maturity during fiscal year 2001. The bonds will be retired from the debt service fund.

Energy Conservation Loan - On July 31, 1995, Lima City School District issued \$2,012,209 in unvoted general obligation notes for the purpose of providing energy conservation measurers for the District, under the authority of Ohio Revised Code Section 3317.22. The notes issued for a ten-year period with final maturity during fiscal year 2005. The notes will be retired from the debt service fund.

General Obligation Bond - On September 25, 1998, the Lima City School District issued \$250,000 in unvoted general obligation bonds for the purpose of acquiring the Academy of Learning building, under the authority of the Ohio Revised Code Section 133.06. The notes were issued for a five-year period with final maturity during fiscal year 2004. The notes will be retired from the debt service fund.

Compensated absences and the accrued benefits will be paid from the fund from which the employee is paid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the notes and bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending	Principal	Interest	Total
2000	\$ 461,000	\$131,284	\$ 592,284
2001	486,000	103,570	589,570
2002	511,000	74,090	585,090
2003	258,000	51,789	309,789
2004	395,000	38,549	433,549
2005-2006	<u>508,988</u>	<u>26,966</u>	<u>535,954</u>
Total	<u>\$2,619,988</u>	<u>\$426,248</u>	<u>\$3,046,236</u>

NOTE 15 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

Interfund Receivable/Payable	Receivable	Payable
General	\$583,208	\$ 4,766
Special Revenue Fund:		
Stadium Renovation	0	58,000
Vocational Education	0	56,209
Capital Projects		
Permanent Improvement	0	353,999
Enterprise		
Food Service	4,766	100,000
Uniform School Supplies	<u>0</u>	<u>15,000</u>
Total	<u>\$587,974</u>	<u>\$587,974</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Lima City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 665,820	\$28,991	\$ 694,811
Operating Expenses			
Less Depreciation	2,384,014	32,843	2,416,857
Depreciation Expense	9,402	0	9,402
Operating Income (Loss)	(1,731,561)	0	(1,731,561)
Donated Commodities	123,840	0	123,840
Operating Grants	1,109,239	0	1,109,239
Net Income (Loss)	(489,751)	(3,852)	(493,603)
Net Working Capital	(290,696)	58,332	(232,364)
Total Assets	206,413	73,332	279,745
Total Equity	(204,628)	58,332	(146,296)
Encumbrances Outstanding at June 30, 1999	\$ 40,237	\$ 1,912	\$ 42,149

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys.

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

NOTE 18 - GROUP PURCHASING POOLS

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

Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust. Each school district decides which plans offered the Board of Education will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 18 - GROUP PURCHASING POOLS (Continued)

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program -

The District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (the Program), and insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

NOTE 19 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 1999.

School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 20 - DEFICIT RETAINED EARNINGS BALANCE

The Enterprise Fund Type reflects a deficit retained earnings balance in the amount of (\$146,296) that is the result of recognizing the application of the accrual basis of accounting.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 21 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance 7/1/1998	\$0	\$0	\$127,249	\$ 127,249
Required Set-Aside	408,554	408,554	348,901	1,166,009
Offset Credits	0	0	0	0
Qualifying Expenditures	<u>(408,554)</u>	<u>(408,554)</u>	<u>0</u>	<u>(817,108)</u>
Total	<u>\$0</u>	<u>\$0</u>	<u>\$476,150</u>	<u>\$476,150</u>
Cash balance carried forward to following year	<u>\$0</u>	<u>\$0</u>	<u>\$476,150</u>	<u>\$476,150</u>

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Titles	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Education (Passed Through Ohio Department of Education)						
Special Education Cluster:						
Title VI-B	84.027	PG-S1 99P	\$277,525	\$0	\$285,054	\$0
		PG-S1 98P	38,052	0	95,538	0
Total Title VI-B			315,577	0	380,592	0
PreSchool Handicapped	84.173	PG-S1-98P	15,819	0	15,819	0
		PG-S1-99P	25,358	0	27,486	0
Total PreSchool Handicapped			41,177	0	43,305	0
Total Special Education Cluster			356,754	0	423,897	0
Title I	84.010	C1-S1-99	2,097,769	0	1,822,112	0
		C1-S1-98	137,166	0	408,939	0
		C1-S1-98C	104,187	0	104,187	0
Total Title I			2,339,122	0	2,335,238	0
Title VI	84.298	C2-S1-98	0	0	36,124	0
		C2-S1-99	38,223	0	31,607	0
Total Title VI			38,223	0	67,731	0
Adult Basic Education	84.002	AB-S1-98C	4,265	0	4,265	0
		AB-S1-99	0	0	23,355	0
		AB-S1 98	18,209	0	18,209	0
Total Adult Basic Education			22,474	0	45,829	0
Vocational Education - Basic Grants to States						
Vocational Childcare	84.048	VESP-CG-99	13,600	0	17,225	0
		VESP-CG-98	3,394	0	0	0
Vocational - Perkins		CPII-S96-002	25,783	0	6,116	0
		CPII-S99-002	151,115	0	177,782	0
Vocational Network		VESE-NET-98	2,914	0	2,789	0
		VESE-NET-99	18,984	0	19,021	0
Total Vocational Education			215,790	0	222,933	0
Drug Free Schools	84.186	044222-DR-S1-98	9,616	0	14,708	0
		044222-DR-S1-99	9,117	0	15,296	0
		044222-DR-S1-97C	0	0	8,107	0
		044222-DR-S1-98C	24,821	0	20,891	0
		044222-DR-S1-99S	12,066	0	9,638	0
Total Drug Free Schools			55,620	0	68,640	0
Eisenhower Math and Science	84.281	MS-S1 99	44,890	0	4,894	0
		MS-S1 98	1,639	0	7,520	0
		MS-S1 97C	0	0	19,229	0
		MS-S1 98	29,376	0	29,376	0
Total Eisenhower			75,905	0	61,019	0
Goals 2000	84.276	G2-S1-97P-C	0	0	2,943	0
		G2-S4-98	0	0	2,454	0
		G2-S4-99	69,300	0	69,300	0
Total Goals 2000			69,300	0	74,697	0
Vocational Tech Prep	84.243	044222-TP-98	5,844	0	2,730	0
		044222-TP-99	11,819	0	22,560	0
Total Vocational Prep			17,663	0	25,290	0
Technology Literacy Challenge	84.318	TF-S1-98P	0	0	33,199	0
		TF-S1-99P	100,000	0	100,000	0
		TF-S1-99	62,500	0	60,518	0
Total Technology Literacy Challenge			162,500	0	193,717	0
Childcare and Development Block Grant	93.575		78,658	0	105,885	0
Total US Department of Education			3,432,009	0	3,624,876	0

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Federal Grantor/ Pass-Through Grantor/ Program Titles	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
US Department of Labor						
(Passed Through Ohio Department of Education)						
School To Work	17.249	VESE-STW98-044222	(8,984)	0	21,973	0
		VESE-STW99-044222	11,339	0	13,863	0
Total U.S. Department of Labor			2,355	0	35,836	0
US Department of Agriculture						
(Passed Through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution	10.550		0	124,928	0	123,840
School Breakfast Program	10.553	044222-05-PU-00	166,879	0	166,879	0
National School Lunch Program	10.555	044222-04-PU-00	822,497	0	822,497	0
Summer School Lunch Program	10.559	118067 24-AD-00	48,367	0	48,651	0
Total US Department of Agriculture			1,037,743	124,928	1,038,027	123,840
Total Federal Financial Assistance			\$4,472,107	\$124,928	\$4,698,739	\$123,840

The notes to the schedule of federal award expenditures are an integral part of this statement.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

Note 1 - Significant Accounting Policies

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

Note 2 - Food Distribution

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported on the schedule at the fair value of the commodities received and consumed. Cash receipts from the United State Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant commodities in inventory.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL 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 Lima City School District, Allen County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 7, 2000, in which we disclaimed on the amounts reported in the General Fixed Asset Account Group due to a lack of supporting documentation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 1999-10202-001 and 1999-10202-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 7, 2000.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-10202-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above as item 1999-10202-003 is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 7, 2000.

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

JIM PETRO
Auditor of State

February 7, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH 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 the Lima City School District, Allen County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

INTERNAL CONTROL OVER COMPLIANCE

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

Board of Education
Lima City School District
Report of Independent Accountants on Compliance With Requirements Applicable to
Each Major Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 7, 2000.

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

JIM PETRO
Auditor of State

February 7, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	-Vocational Education, CFDA 84.048; -Nutrition Cluster, CFDA 10.550,10.553, 10.555,10.559 -Title 1, CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)

FOR THE YEAR ENDED JUNE 30, 1999

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

Finding Number	1999-10202-001
-----------------------	----------------

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified by the County Budget Commission at the fund/cost center level prior to making the appropriation or supplemental appropriation.

The amount of deficiency reduced available resources below the current level of appropriation. When the District determines they are going to receive significantly less revenues than they had originally estimated, the entity is required to obtain an amended certificate of estimates. In this way, the District will not appropriate more revenues than they anticipate receiving.

Estimated revenues exceeded actual revenues and were appropriated for the following funds/special cost centers in the following amounts:

As of March 31, 1999:

Permanent Improvement Fund	\$ 96,882
Technology Equity	29,207
Textbook Subsidy	78,533
Childcare and Development Block Grant	15,171

As of June 30, 1999:

Permanent Improvement Fund	114,586
Summer Food Service Program	43,775
Vocal Music - Senior High	7,721
Music Production - Senior High	6,078
Vocational Tech Prep FY99	28,563

Because the District did not obtain an amended certificate of estimated resources, the amounts appropriated exceeded certified resources.

The District should obtain an amended certificate of estimated resources whenever they receive a new source or an increased amount of revenue for which they intend to appropriate and expend.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)

FOR THE YEAR ENDED JUNE 30, 1999

Finding Number	1999-10202-002
-----------------------	----------------

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

In October of 1998, the following funds/special costs centers had actual expenditures plus current year encumbrances significantly in excess of actual appropriations plus prior year carryovers:

Stand Energy Scholarship Fund	\$ 1,000
Principal's Account - Senior High	6,088
Auxiliary Services - St. Charles FY99	31,443
Auxiliary Services - St. Gerard FY99	17,377
Auxiliary Services - St. Rose FY99	3,126
Professional Development Block Grant	17,748
SchoolNet FY96	310,244
Textbook Subsidy	32,590
Vocational Technical Preparation FY99	4,639
ECIA Title VI FY99	28,625

Expenditures in excess of appropriations could result in a deficit spending situation. The Board should closely monitor spending throughout the year to avoid expenditures that would exceed the appropriated amount.

Finding Number	1999-10202-003
-----------------------	----------------

The District maintains a fixed asset master listing on the Equipment Information System (EIS) computer program, but the list did not give a precise description or identification number on the system that would allow someone to locate the asset. Also, a lack of control over the changes in fixed asset locations has resulted in difficulties in locating selected assets.

The EIS system allows each fixed asset item to be identified by a tag number, however, the District did not tag all items after the professional inventory was taken in 1996. The tag numbers entered into the computer have an identification number assigned sequentially. These tag numbers do not correspond to the actual tags placed on the fixed asset and make asset identification difficult. The tag number did not allow the item identified to be located on the fixed asset master listing by comparing it to the identification number in the computer.

The EIS system also allows the District to input the location of the asset on the system, but transfers between buildings did not always get reported to the Treasurer in order to change the location in the system. This also resulted in difficulty trying to locate selected fixed assets.

The description of the assets on the fixed asset master listing is not precise and did not include an accurate description of the item (i.e. serial numbers). This did not allow observed assets to be traced to the fixed asset master listing. The District also did not list all items separately such as several computers being input together which caused difficulty in identifying individual items.

Improper identification of assets could lead to the misstatement of fixed assets on the District's records and an increase in the likelihood of theft being undetected. This could also lead to the District being under or over insured for their fixed assets.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)

FOR THE YEAR ENDED JUNE 30, 1999

Finding Number	1999-10202-003 (Continued)
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In order to provide more control over fixed assets, the District should place tags on all fixed assets and place the corresponding tag number in the computer. Items should not be given the next sequential number in the computer system and then tagged with a different number. The District should provide a clear, concise description, which includes the serial number and cost of each item on the list, making sure that all assets are listed separately. Items should not be lumped together so that in the event of a disposal or transfer of the item, it can be recognized on the list and removed or appropriate changes made. The District should also perform a fixed asset inventory periodically to make sure that the fixed asset master listing is complete and accurate. This would enable the District to provide accurate fixed asset amounts for financial reporting and for insurance purposes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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No Findings or Questioned Costs reported for federal awards.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)

FOR THE YEAR ENDED JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10202-001	Material weakness regarding the documentation for the valuation of the amounts presented on the general purpose financial statements as General Fixed Assets.	No	The situation has not been corrected, the District still has no support for the amounts reported as General Fixed Assets.



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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 28, 2000**