



**Auditor of State  
Betty Montgomery**



LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances All Governmental Fund Types and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2004.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances Proprietary Fund Type and Similar Fiduciary Funds For the Fiscal Year Ended June 30, 2004.....	4
Combined Statement of Receipts – Budget and Actual For the Fiscal Year Ended June 30, 2004.....	5
Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority For the Fiscal Year Ended June 30, 2004.....	6
Notes to the Financial Statements .....	9
Schedule of Federal Award Expenditures .....	29
Notes to the Schedule of Federal Award Expenditures.....	31
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	33
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and Internal Control over Compliance in Accordance With OMB Circular A-133 .....	35
Schedule of Findings.....	37
Schedule of Prior Audit Findings .....	43

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of Lima City School District, Allen County, (the District), as of and for the fiscal year ended June 30, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2005 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 28, 2005

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Funds	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trusts	
<b>Cash Receipts:</b>						
From local sources:						
Taxes	\$7,756,061	\$128,337	\$1,449,090			\$9,333,488
Tuition	822,851					822,851
Earnings on investments	79,948	1,459		404,434	188	486,029
Extracurricular Activities		267,322				267,322
Classroom Materials and Fees	463					463
Miscellaneous Revenues	219,224	603,322		34,728	1,894	859,168
Intergovernmental - State	27,479,957	3,948,075	154,361	16,254,869		47,837,262
Intergovernmental - Federal	188,357	5,739,722				5,928,079
<b>Total Cash Receipts</b>	<b>36,546,861</b>	<b>10,688,237</b>	<b>1,603,451</b>	<b>16,694,031</b>	<b>2,082</b>	<b>65,534,662</b>
<b>Cash Disbursements:</b>						
Current:						
Instruction:						
Regular	13,624,271	2,910,970		60,236		16,595,477
Special	3,189,599	1,967,894				5,157,493
Vocational	1,623,262	103,506				1,726,768
Adult	138,923	63,222				202,145
Other	3,398,822					3,398,822
Support services:						
Pupil	1,709,627	1,833,483				3,543,110
Instructional staff	769,302	1,375,598				2,144,900
Board of Education	162,546					162,546
Administration	4,098,298	369,419				4,467,717
Fiscal	723,189	34,546	31,081	42,184		831,000
Business	259,087	53,479				312,566
Operations and maintenance	4,150,994	98,856		254,019		4,503,869
Pupil transportation	518,983	5,835				524,818
Central	537,339	48,457		727,113		1,312,909
Operation of Non-Instructional Services	0	828,572		807,524	3,000	1,639,096
Extracurricular activities	482,007	202,654				684,661
Facilities Acquisition and Construction Services	13,056			33,232,062		33,245,118
Debt service:						
Principal retirement	1,500,000		3,464,986	4,765,000		9,729,986
Interest	12,396		1,040,622	38,649		1,091,667
<b>Total Cash Disbursements</b>	<b>36,911,701</b>	<b>9,896,491</b>	<b>4,536,689</b>	<b>39,926,787</b>	<b>3,000</b>	<b>91,274,668</b>
Receipts Over (Under) Disbursements	(364,840)	791,746	(2,933,238)	(23,232,756)	(918)	(25,740,006)
Other Financing Sources (Uses):						
Operating Transfers In		594,300	3,047,697		1,433	3,643,430
Operating Transfers Out	(722,837)			(2,919,160)		(3,641,997)
Sale and Loss of Assets	8,234					8,234
Proceeds from Sale of Notes	1,500,000					1,500,000
Proceeds From Sale of Bonds				4,764,996		4,764,996
Premium and Accrued Interest on Bonds/Notes Sold			1,752	158,140		159,892
Refund of Prior Year Expenditures	45,469				259	45,728
Refund of Prior Year Receipts				(1,622)		(1,622)
<b>Total Other Financing Sources (Uses)</b>	<b>830,866</b>	<b>594,300</b>	<b>3,049,449</b>	<b>2,002,354</b>	<b>1,692</b>	<b>6,478,661</b>
Excess of Receipts and Other Financing Sources Over (Under) Expenditures and Other Uses	466,026	1,386,046	116,211	(21,230,402)	774	(19,261,345)
Fund Cash Balances, July 1	1,328,397	1,433,874	336,742	35,132,043	20,869	38,251,925
<b>Fund Cash Balances, June 30</b>	<b>\$1,794,423</b>	<b>\$2,819,920</b>	<b>\$452,953</b>	<b>\$13,901,641</b>	<b>\$21,643</b>	<b>\$18,990,580</b>

The notes to the financial statements are an integral part of this statement

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Proprietary Fund Type		Fiduciary Funds		Total (Memorandum Only)
	Enterprise Funds	Nonexpendable Trust Funds	Agency		
<b>Operating Receipts:</b>					
Food Service	\$701,119				\$701,119
Investment Earnings		464			464
Extracurricular Activities			53,402		53,402
Classroom Materials and Fees	36,785				36,785
	<u>737,904</u>	<u>464</u>	<u>53,402</u>		<u>791,770</u>
Total Operating Receipts	737,904	464	53,402		791,770
<b>Operating Disbursement:</b>					
Personal services	888,062				888,062
Benefits	174,497				174,497
Purchased Services	58,548		3,125		61,673
Materials and supplies	1,004,318		1,410		1,005,728
Capital Outlay	25,175				25,175
Other Expenses	98,668	4,188	331,918		434,774
	<u>2,249,268</u>	<u>4,188</u>	<u>336,453</u>		<u>2,589,909</u>
Total Operating Disbursements	2,249,268	4,188	336,453		2,589,909
Operating (Loss)	(1,511,364)	(3,724)	(283,051)		(1,798,139)
<b>Nonoperating Receipts:</b>					
Grants	1,688,881				1,688,881
Interest revenue	1,765		3,422		5,187
Sale of Assets	195				195
Miscellaneous	4,016	2,347	687,117		693,480
	<u>1,694,857</u>	<u>2,347</u>	<u>690,539</u>		<u>2,387,743</u>
Total Nonoperating Receipts	1,694,857	2,347	690,539		2,387,743
Net Income (Loss) Before Operating Transfers and Advances	183,493	(1,377)	407,488		589,604
Transfers in		322			322
Transfer out			(1,755)		(1,755)
	<u>183,493</u>	<u>(1,055)</u>	<u>405,733</u>		<u>588,171</u>
Net Income.(Loss)	183,493	(1,055)	405,733		588,171
Fund Cash Balances at July 1	79,368	50,276	482,563		612,207
<b>Fund Cash Balances at June 30</b>	<u>\$262,861</u>	<u>\$49,221</u>	<u>\$888,296</u>		<u>\$1,200,378</u>

*The notes to the financial statements are an integral part of this statement.*



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$38,214,973	\$38,100,564	(\$114,409)
Special Revenue Funds	12,875,189	11,282,537	(1,592,652)
Debt Service Funds	4,652,413	4,652,900	487
Capital Project Funds	21,643,113	21,617,167	(25,946)
<b>Proprietary:</b>			
Enterprise Funds	2,677,004	2,432,761	(244,243)
<b>Fiduciary:</b>			
Expendable Trust Funds	3,788	3,774	(14)
Nonexpendable Trust Funds	3,124	3,133	9
Agency Funds	724,517	743,941	19,424
Total (Memorandum Only)	<u>\$80,794,121</u>	<u>\$78,836,777</u>	<u>(\$1,957,344)</u>

*The notes to the financial statements are an integral part of this statement.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover <u>Appropriations</u></b>	<b>2004 <u>Appropriations</u></b>	<b><u>Total</u></b>
<b>Governmental:</b>			
General Fund	\$209,278	\$39,242,627	\$39,451,905
Special Revenue Funds	816,354	12,499,722	13,316,076
Debt Service Funds		4,537,431	4,537,431
Capital Project Funds	32,229,417	22,684,931	54,914,348
<b>Proprietary:</b>			
Enterprise Funds	22,934	2,571,694	2,594,628
<b>Fiduciary:</b>			
Expendable Trust Funds		3,040	3,040
Nonexpendable Trust Funds		43,600	43,600
Agency Funds	<u>2,770</u>	<u>361,925</u>	<u>364,695</u>
Total (Memorandum Only)	<u><u>\$33,280,753</u></u>	<u><u>\$81,944,970</u></u>	<u><u>\$115,225,723</u></u>

*The notes to the financial statements are an integral part of this statement.*

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At June 30, 2004</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$37,634,538	\$724,424	\$38,358,962	\$1,092,943
9,896,491	621,764	10,518,255	2,797,821
4,536,689		4,536,689	742
42,847,569	8,217,996	51,065,565	3,848,783
2,249,268	34,482	2,283,750	310,878
3,000		3,000	40
4,188		4,188	39,412
<u>338,208</u>	<u>350</u>	<u>338,558</u>	<u>26,137</u>
<u><u>\$97,509,951</u></u>	<u><u>\$9,599,016</u></u>	<u><u>\$107,108,967</u></u>	<u><u>\$8,116,756</u></u>

**This page intentionally left blank.**

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is the 58th largest in the State of Ohio (among 628 school districts) in terms of enrollment. It is staffed by 227 non-certificated employees and 473 certificated full-time teaching personnel who provide services to 5,039 students and other community members. The District currently operates fourteen instructional/support facilities and one administrative center.

**Reporting Entity**

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

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

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

**Lima Digital Academy Community School** (the Academy) is a legally separate, not-for-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in the K – 12 population primarily through distance learning technologies. The comprehensive educational program will address special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including some home-schooled students, who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program.

The Academy operates under the direction of a five-member Board of Directors with Lima City School District acting as their sponsor. Based on the fact that the District appoints the voting majority of the Board of Directors and is able to significantly influence the programs or services performed or provided, the Academy is a component unit of the District. However, the District reports on the Auditor of State's basis of accounting which does not reflect component units within their financial statements and related note disclosures. Separately issued financial statements can be obtained from Lima Digital Academy at 515 S. Calumet Avenue, Lima, Ohio 45804.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY(Continued)**

**The Lima City Schools Foundation** (The Foundation) is a community-based, unincorporated, non-profit association established for the exclusive purposes of promoting the quality of schools and educational programs in the Lima City School District. It is intended that The Foundation provide monies not available from public funds to maintain and improve the quality of education available to students of the Lima City School District. Activities supported by The Foundation may include, but are not limited to, enrichment of the school curriculum, co-curriculum and extra-curricular activities and programs; the enhancement of instruction and facilities; and the promotion of school-community recognition and awareness.

In accordance with a certain "Agreement Creating a Committee Advised Endowment Fund" between The Foundation, The Lima Community Foundation and The Dayton Foundation, the Board of Trustees shall govern the operation of The Foundation and shall make recommendations to The Dayton Foundation regarding distribution of the net income and current gifts of The Foundation. The number of trustees for The Foundation shall be not less than seven (7). The Treasurer and Superintendent, or an appointee of the Superintendent, of the Lima City School District shall serve as trustees in an ex officio capacity on a continuing basis. One (1) member of the Lima City Schools Board of Education shall be designated biannually by the Board of Education to serve a two-year term as a trustee for the years of such designation. A minimum of four (4) trustees shall be appointed by the Lima City Schools Nominating Committee.

Based on the above, The Lima City Schools Foundation is a component unit of the District. However, the District reports on the Auditor of State's basis of accounting which does not reflect component units within their financial statements and related note disclosures. Separately issued financial statements can be obtained at 515 S. Calumet Avenue, Lima, Ohio 45804.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Fund Types**

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

**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. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**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).

**2. Proprietary Fund Type**

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

**Enterprise Funds** - Enterprise funds are used to account for 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.

**3. Fiduciary Fund Types**

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**C. Budgetary Process**

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 Allen County Budget Commission for rate determination.

**1. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**2. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**3. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**E. Unpaid Vacation and Sick Leave**

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

**F. Property, Plant and equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. COMPLIANCE**

As of June 30, 2004, the Building Construction Fund had appropriations in the amount of \$45,825,750 and estimated resources of \$24,545,739; therefore appropriations exceeded estimated resources.

A reduced amended certificate should have been obtained for the following fund since available resources fell below the current level of appropriations: 416- Teacher Development; 461- Vocational Education Enhancement; 463- Alternative Schools; 501- Adult Basic Education; 516- Title VI-B; 524- Vocational Education; 572- Title I; 573- Title VI; 584- Drug Free School Grant; 587- Title VI-B Preschool; 590- Reducing Class Size Grant; and 599- Miscellaneous Federal Grants.

Also, deficit cash balances existed in various funds throughout the year.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

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

- a. 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;
- b. 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 Mortgage Association. All federal securities shall be direct issuances of federal government agencies or instrumentalities;
- c. 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;
- d. Bonds and other obligations of the State of Ohio;
- e. 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,
- f. 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 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.

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*".

**A. Cash on Hand**

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**B. Deposits**

At fiscal year end, the carrying amount of the District's deposits was \$1,900,998, and the bank balance was \$2,320,981. Of the bank balance, \$215,950 was covered by federal depository insurance and the remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**C. Investments**

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name. The School District's investment in STAR Ohio and investments in mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	<b>Category 2</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Repurchase Agreements	\$3,584,039	\$ 3,584,039	\$ 3,584,039
Federal National Mortgage Association	1,069,913	1,069,913	1,054,235
Federal Home Loan Bank	2,440,103	2,440,103	2,395,191
Federal Home Loan Mortgage Association	1,257,029	1,257,029	1,240,448
Federal Farm Credit Bank	1,519,612	1,519,612	1,505,470
Money Market Mutual Funds		3,838,091	3,838,091
STAR Ohio		4,580,873	4,580,873
Totals		<u>\$18,289,660</u>	<u>\$18,198,347</u>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal property (used in business) located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for calendar year 2004 are levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Allen County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$218,250,950	77.68%	\$266,957,440	82.82%
Public Utility	17,053,790	6.07%	16,818,680	5.22%
Tangible Personal	45,657,201	16.25%	38,540,125	11.96%
Total Assessed Value	<u>\$280,961,941</u>	<u>100.00%</u>	<u>\$322,316,245</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.56		\$44.36	

**6. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Indiana Insurance for property and general liability, boiler and machinery insurance and builders risk insurance. Boiler and machinery and builders risk insurance coverage has a \$25,000 and \$5,000 deductible per occurrence, respectively. Professional liability is protected by Indiana Insurance Company with \$1,000,000 each occurrence, \$5,000,000 aggregated limit.

Vehicles are covered by Indiana Insurance Company and are fully covered for comprehensive and \$1,000 deductible for collisions. Automobile liability has a \$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 Cincinnati Insurance Company, for a total of \$100,000.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

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

**C. Health Insurance**

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

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$549,646, \$523,393, and \$343,056, respectively.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**B. State Teachers Retirement System**

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

**Plan Options** – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$2,886,676, \$3,001,583, and \$2,225,014, respectively.

STRS Ohio issues a publicly available financial report. Additional information or copies of STRS Ohio's 2003 *Comprehensive Annual Financial Report* may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by visiting the STRS Ohio Web site [www.strsoh.org](http://www.strsoh.org).

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate State Retirement System. As of June 30, 2004, one member of the Board of Education has elected Social Security. The District's liability is 6.2 percent of wages paid.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. POST RETIREMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

The State Teachers Retirement board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of cover payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount was \$222,052.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS has 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$25,400. For the District, the amount to fund health care benefits, including the surcharge was \$389,439 for fiscal year 2004.

The surcharge, 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 target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**9. SHORT TERM DEBT OBLIGATIONS**

A summary of the short term debt obligations for the year ended June 30, 2004 follows:

	<u>Balance 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/04</u>
<b><u>General Obligation Notes</u></b>				
Tax Anticipation Note – 2.5%	\$ 0	\$1,500,000	\$1,500,000	\$0
Bond Anticipation Note – 2.0%	<u>4,765,000</u>	<u>0</u>	<u>4,765,000</u>	<u>0</u>
Total Short-Term Obligations	<u>\$4,765,000</u>	<u>\$1,500,000</u>	<u>\$6,265,000</u>	<u>\$0</u>



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. SHORT TERM DEBT OBLIGATIONS (Continued)**

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. The District issued a \$4,765,000 bond anticipation note for a 150-day period during fiscal year 2003. The note was redeemed on October 31, 2003. The District issued a \$1,500,000 tax anticipation note on July 3, 2003 with a redemption date of October 31, 2003.

**10. LONG-TERM DEBT OBLIGATIONS**

Changes in the long-term obligations of the District during fiscal year 2004 were as follows:

<b>General Long-Term Obligations:</b>	<b>Principal Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deletions</b>	<b>Principal Outstanding 6/30/04</b>
General Obligation Bonds - 2000				
-Various Purpose -				
Serial and Term Bonds 5-6%	\$5,800,000	\$0	\$220,000	\$5,580,000
Capital Appreciation Bonds 10.73%	400,921	41,037	0	441,958
General Obligation Bonds - 2000				
Classroom Facilities				
Serial and Term Bonds 4.7-5.5%	8,710,000	0	335,000	8,375,000
Capital Appreciation Bonds 9.86%	522,399	57,568	0	579,967
General Obligation Bonds-				
Various Purpose - 2001				
Serial and Term Bonds 5.0%	1,556,988	0	51,988	1,505,000
General Obligation Bonds - 2003				
School Improvement				
Serial and Term Bonds 2 -4.8%	0	4,674,996	0	4,674,996
Capital Appreciation Bonds 24.578%	0	193,621	0	193,621
Lease-Purchase – 2002 4.28%	2,857,998	0	2,857,998	0
<b>Total Long-Term Obligations</b>	<b>\$19,848,306</b>	<b>\$4,967,222</b>	<b>\$3,464,986</b>	<b>\$21,350,542</b>

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

Generally, the District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three period. The total budget for the project is \$104,029,247, of which \$92,663,247 was awarded in school facilities monies and \$11,366,000 is the District's share of the project. During fiscal year 2004, the District received \$16,138,544 in school facilities monies.

If the District's three-year average adjusted valuation per pupil increases above the state-wide median three-year adjusted valuation per pupil, the District may become responsible for repayment of a portion of the State's contribution. Based on the District's adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**General Obligation Bonds** - On June 1, 2000, the District issued \$6,865,997 in general obligation bonds authorized pursuant to a vote of the electors of the District at an election held November 2, 1999, under the authority of the Ohio Revised Code Chapter 133. The proceeds of the Bonds were used to pay outstanding bond anticipation notes issued for the following various purposes: the local share of school construction under the State of Ohio Classroom Facilities Construction Program; to acquire a site for Classroom Facilities; and constructing, improving and making additions to school facilities for a school auditorium and acquiring and installing equipment and furnishings therein.

The bond issue included serial, term and capital appreciation bonds in the amount of \$2,535,000, \$4,030,000 and \$300,997, respectively. The bonds were issued for a twenty three year period with final maturity during fiscal year 2022. The bonds will be retired with a voted 5.1 mill property tax levy from the Debt Service Fund.

**General Obligation Bonds** - On June 15, 2000, the District issued \$9,999,999 in general obligation bonds authorized pursuant to a vote of the electors of the District at an election held on November 2, 1999, under the authority of Ohio Revised Code Chapter 133. The proceeds of the Bonds were used to pay outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Construction Program.

The bond issue included serial, term and capital appreciation bonds in the amount of \$4,580,000, \$5,035,000 and \$384,999, respectively. The bonds were issued for a twenty three year period with final maturity during fiscal year 2022. The bonds will be retired with a voted 5.1 mill property tax levy from the Debt Service Fund.

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

**Lease-Purchase** – On April 15, 2002, the District entered into a lease-purchase agreement with the Port Authority of Allen County acting as lessor and the District as lessee for the lease-purchase of land for the new high school complex, under the authority of the Ohio Revised Code Section 3313.37. The lease-agreement is for a period of five years with final maturity during fiscal year 2007. The lease-purchase will be paid from the Debt Service fund. The lease-purchase was paid in its entirety during fiscal year 2004.

**School Improvement Bonds** – On October 22, 2003, the District issued \$4,764,996 of general obligation bonds authorized pursuant to a vote of the electors of the District at an election held May 6, 2003 under the authority of the Ohio Revised Code Chapter 133. The proceeds of the Bonds are issued to pay costs of improving, construction, reconstructing, renovating, remodeling, enlarging, furnishing and equipping (including educational technology) building and facilities and acquiring and improving sites for school purposes. The principal of the Bonds were used to retire the \$4,765,000 outstanding bond anticipation notes (See Note 9). Of the initial note proceeds, \$2,857,998 was applied to the early buyout of the Lease-Purchase.

The general obligation various purpose term bonds issued on June 1, 2000, due on December 1, 2022, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2013, and on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2013	\$305,000
2014	325,000
2015	345,000
2016	365,000
2017	385,000
2018	410,000
2019	430,000
2020	460,000
2021	485,000

Unless otherwise called for redemption, the remaining \$520,000 principal amount of the term bonds due December 1, 2022, is to be paid at stated maturity.

The general obligation various purpose serial and term bonds issued on June 1, 2000, maturing on December 1, 2009, and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, on or after December 1, 2011 as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	102%
December 1, 2011 through November 30, 2012	101
December 1, 2012 and thereafter	100

The various purpose capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2010 through 2012. The maturity amount of the bonds is \$915,000. The accreted amount for fiscal year 2004 was \$41,037.

The general obligation classroom facilities term bonds issued on June 15, 2000, due on December 1, 2022, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015, and on each December 1 thereafter, at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$520,000
2016	545,000
2017	575,000
2018	610,000
2019	640,000
2020	675,000
2021	715,000

The general obligation classroom facilities serial and term bonds issued on June 15, 2000, maturing on December 1, 2011, and December 1, 2022, are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2010, as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	102%
December 1, 2011 through November 30, 2012	101
December 1, 2012 and thereafter	100

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

Unless otherwise called for redemption, the remaining \$755,000 principal amount of the term bonds due December 1, 2022, is to be paid at stated maturity.

The classroom facilities capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$1,560,000. The accreted amount for fiscal year 2004 was \$57,568.

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

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

The capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2005 through 2012. The maturity amount of the bonds is \$375,000. The accreted amount for fiscal year 2004 was \$103,625.

Principal and interest requirements (without optional redemption) to retire the notes and bonds outstanding at June 30, 2004 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 720,909	\$ 1,026,613	\$ 1,747,522
2006	709,871	993,356	1,703,227
2007	770,000	957,750	1,727,750
2008	945,000	916,013	1,861,013
2009	1,015,958	868,548	1,884,506
2010-2014	3,858,633	5,158,949	9,017,582
2015-2019	5,425,175	3,276,761	8,701,936
2020-2024	6,115,000	1,140,853	7,255,853
2025-2029	1,789,996	221,542	2,011,538
Total	<u>\$21,350,542</u>	<u>\$14,560,385</u>	<u>\$35,910,927</u>

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the School District had contractual commitments as follows:

<u>Contractor</u>	<u>Project</u>	<u>Amount Outstanding</u>
Sidney Electric Company	South Middle School Technology	\$126,889
Peterson Construction	High School General Trades	1,260,390
Sidney Electric	High School Electrical/Technology	551,663
Piping Solutions, Inc.	High School Mechanical	151,497
A. Hattersley & Sons, Inc	High School Plumbing	126,252
C & T Design and Equipment Co.	High School Kitchen Equipment	319,828
Smith-Boughan, Inc.	High School Temperature Control	100,472
Leipsic Landscaping	High School Landscaping	117,575
Folding Equipment Co.	High School Equipment	151,080
Pomeroy IT Solutions	High School Telephone Systems	153,086
Folding Equipment Co.	Independence Elementary Equipment	149,075
Hattenbach Co.	Liberty Elementary Equipment	151,021
Koester Electric	Liberty Elementary Electrical	454,249
Lima Sheet Metal Co.	Liberty Elementary Mechanical	457,819
Sidney Electric	Liberty Elementary Electrical	193,901
The Invironmentalists	Liberty Elementary Flooring	104,418
Thomas & Marker	Liberty Elementary General Trades	<u>1,178,044</u>
Total		<u>\$5,747,259</u>

**12. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2003	(\$960,207)	(\$21,631,000)
Current Year Set-aside Requirement	764,159	764,159
Current Year Offsets	0	(128,337)
Qualifying Disbursements	(564,868)	(157,262)
Total	<u>(\$760,916)</u>	<u>(\$21,152,440)</u>

Qualifying expenditures for the textbook reserve exceeded the required set aside by \$760,916 and can be carried forward to future years. Accumulated set-aside requirements from bond or note proceeds in the capital improvements set aside may be carried forward to offset future years' requirements. The total reserve cash balance for the two set-asides at the end of the fiscal year was \$0.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative** - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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

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

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**14. GROUP PURCHASING POOLS**

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

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

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

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan** – The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP) was established as a group purchasing pool. The Executive Director of OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**15. RELATED ORGANIZATION**

**Lima Public Library** - The Lima Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Lima City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Lima Public Library, Scott Shafer, Clerk/Treasurer, 650 West Market Street, Lima, Ohio 45801.

**16. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**16. CONTINGENCIES (Continued)**

**B. Litigation**

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

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass-Through Grantor/ Program Titles</b>	<b>Federal CFDA Number</b>	<b>Project Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. Department of Education (Passed through the Ohio Department of Education)</b>						
Special Education Cluster:						
Special Education - Grants to States	84.027	044222-6BSF 2004 P	\$651,220		\$585,162	
	84.027	044222-6BSF 2003 P	237,900		267,208	
	84.027	044222-6BSD 2004 P	21,950		17,529	
	84.027	044222-6BSD 2003 P	5,725		14,725	
	84.027	044222-6BPB 2004 P	15,000		7,258	
	84.027	044222-6BEC 2003 P	5,400		5,400	
	84.027	044222-6BST 2002	(3,219)			
Subtotal			933,976		897,282	
Special Education - Preschool Grants	84.173	044222-PGS1 2004 P	32,539		26,841	
	84.173	044222-PGS1 2003 P	10,008		9,845	
Subtotal			42,547		36,686	
Total Special Education Cluster			976,523		933,968	
Title I Grants to Local Educational Agencies	84.010	044222-C1S1-2004	2,098,541		1,802,683	
	84.010	044222-C1S1-2003	534,148		425,882	
Subtotal			2,632,689		2,228,565	
Innovative Education Programs Strategies	84.298	044222-C2S1-2004	42,677		25,551	
	84.298	044222-C2S1-2003	29,064		36,468	
	84.298	044222-C2S1 2003	29,790		35,129	
Subtotal			101,531		97,148	
Adult Education - State Grant Program	84.002	044222-ABS1 2004	47,444		56,419	
	84.002	044222-ABS1 2003C	5,701		5,701	
	84.002	044222-ABS1 2003	16,854		14,145	
Subtotal			69,999		76,265	
Vocational Education - Basic Grants to States	84.048	044222-20C1 2004	163,718		138,346	
	84.048	044222-20A0 2003	31,859		81,381	
Subtotal			195,577		219,727	
Safe and Drug-Free Schools and Communities - National Grant	84.184C	044222-T4S1-2004	26,438		23,994	
	84.184C	044222-T4S1-2004 P	37,031		34,210	
	84.184C	044222-T4S1-2003	11,465		11,639	
Subtotal			74,934		69,843	
Safe and Drug-Free Schools and Communities - State Grant	84.186	044222-DRS1 2004	57,344		53,008	
	84.186	044222-DRS1 2003	11,778		7,117	
	84.186	044222-DRS1 2002	(4,462)		313	
Subtotal			64,660		60,438	
Even Start - State Educational Agencies	84.213	044222-EVS2-2004	90,882		62,649	
	84.213	044222-EVS2-2003	48,757		65,793	
	84.213	044222-EVS2-2002			6,211	
Subtotal			139,639		134,653	
Educational Technology State Grants	84.318	044222-TJS1-2004	66,136		2,209	
		044222-TJS1-2003	(461)		2,930	
Subtotal			65,675		5,139	
Special Education - State Program Improvement Grants for Children with Disabilities	84.323	044222-STS1-2000	52,500		65,718	
Comprehensive School Reform Demonstration	84.332	044222-RFS2 2003	70,371		61,378	
	84.332	044222-RFK1 2003	4,896		3,865	
	84.332	044222-RFK1 2002	33,680		33,680	
	84.332	044222-RFS1 2002			37,438	
Subtotal			108,947		136,361	

LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Titles	Federal CFDA Number	Project Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Education (Passed through the Ohio Department of Education)</b>						
Twenty-First Century Community Learning Centers	84.287	044222-T1S1-2004	\$338,279		\$316,686	
	84.287	044222-T1S1-2003	216,843		78,149	
Subtotal			555,122		394,835	
Improving Teacher Quality - State Grants	84.367	044222-TRS1 2004	505,525		454,623	
	84.367	044222-TRS1 2003	127,616		105,399	
	84.367	044222-TRS1 2003	275		(2,879)	
	84.367	044222-TRS1 2003	(50,859)			
Subtotal			582,557		557,143	
<b>(Passed through Rhodes State College)</b>						
Tech-Prep Education	84.243	044222-TP-04	4,428		13,206	
		044222-TP-03	2,971			
Subtotal			7,399		13,206	
<b>Direct Award from U.S. Department of Education</b>						
Improving Literacy Through Library	84.364		98,750		98,750	
<b>Total U.S. Department of Education</b>			5,726,502		5,091,759	
<b>U.S. Department of Health and Human Services (Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)</b>						
Medical Assistance Program (CAFS)	93.778	N/A	188,357		188,357	
<b>U.S. Department of Agriculture (Passed through the Ohio Department of Education)</b>						
Child Nutrition Cluster:						
Food Distribution	10.550	N/A		239,747		239,747
School Breakfast Program	10.553	044222-05PU	500,720		500,720	
National School Lunch Program	10.555	044222-LL-P1 & P4	1,065,166		1,065,166	
Summer Food Service Program for Children	10.559	044222-23 & 24 PU	27,341		27,341	
Step Up to the Plate	10.574	044222-TWAD-2004	10,000		320	
<b>Total U.S. Department of Agriculture</b>			1,603,227	239,747	1,593,547	239,747
<b>Total Federal Financial Assistance</b>			\$7,518,086	\$239,747	\$6,873,663	\$239,747

The accompanying notes to this schedule are an integral part of this schedule.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 - NUTRITION CLUSTER**

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, 2004, the District had no significant commodities in inventory.

**NOTE 3 - MATCHING REQUIREMENTS**

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

**NOTE 4 - TRANSFERS**

The negative receipt recorded on the schedule for CFDA #84.186, 84.318 and 84.367 represents a transfer between program years within the same CFDA #. These transfers are recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.

<u>CFDA No.</u>	<u>Project No.</u>	<u>Amount Transferred</u>	<u>CFDA No.</u>	<u>Project No.</u>	<u>Amount Received</u>
84.186	044222-DRS1-2002	(\$ 1,207)	84.186	044222-DRS1-2003	\$ 1,207
84.186	044222-DRS1-2002	(\$ 5,420)	84.186	044222-DRS1-2004	\$ 5,420
84.318	044222-TJS1-2003	(\$ 1,891)	84.367	044222-TJS1-2004	\$ 1,891
84.367	044222-TRS1-2003	(\$ 3,576)	84.367	044222-TRS1-2004	\$ 3,576

**NOTE 5 - FEDERAL SYSTEM TRANSFERS**

The District accounted for aspects of the Improving Teacher Quality Grant CFDA #84.367 is separate funds. The funds were combined in order to meet the requirements of the Comprehensive Continuous Improvement Plan (CCIP / an electronic documentation and filing system). These transfers are recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.

<u>CFDA No.</u>	<u>Project No.</u>	<u>Amount Transferred</u>	<u>CFDA No.</u>	<u>Project No.</u>	<u>Amount Received</u>
84.367	044222-TRS1-2003	(\$ 60,103)	84.367	044222-TRS1-2004	\$60,103

**NOTE 6 - REFUND OF MONEY**

During fiscal year 2004, the District was required to refund certain funds to the Ohio Department of Education. These refunds were recorded as negative receipts on this schedule.

<u>CFDA No.</u>	<u>Project No.</u>	<u>Amount Refunded</u>	<u>Reason for Refund</u>
84.027	044222-6BST-2002	\$3,219	Unspent funds

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT 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 fiscal year ended June 30, 2004, and have issued our report thereon dated March 28, 2005, wherein we noted that the District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. 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 are described in the accompanying schedule of findings as items 2004-001 through 2004-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 28, 2005.

#### 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2004-005 through 2004-006.

**Internal Control Over Financial Reporting  
(Continued)**

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 do not believe the reportable conditions described above are material weaknesses. 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 District in a separate letter dated March 28, 2005.

This report is intended solely 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.



**Betty Montgomery**  
Auditor of State

March 28, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 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 fiscal year ended June 30, 2004. 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 program is the responsibility of the 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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.

As described in item 2004-007 in the accompanying schedule of findings, the District did not comply with requirements regarding Special Tests and Provisions that are applicable to its Twenty-First Century Community Learning Centers grant. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of District in a separate letter dated March 28, 2005.

### **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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2004-007.

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. Our consideration of the internal control over compliance 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 consider the reportable condition described above, as item 2004-007 to be a material weakness.

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



**Betty Montgomery**  
Auditor of State

March 28, 2005



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA# 84.010: Title I CFDA# 84.367: Improving Teacher Quality State Grants (Title II Part A) CFDA# 84.287: Twenty-First Century Community Learning Centers CFDA #s 84.027 and 84.173: Special Education Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER - 2004-001**

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

**Ohio Admin. Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The official statement for the 2001 Various Purpose bond issue also requires the financial statements to be filed in accordance with Ohio Revised Code Section 117.38.

The School District should prepare their financial statements in accordance with GAAP.

**FINDING NUMBER - 2004-002**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As of June 30, 2004, the Building Construction Fund had appropriations of \$45,825,750 and estimated resources of \$24,545,739; therefore appropriations exceeded estimated resources. The District also received the certificate from the county auditor indicating that the total appropriations from each fund do exceed the official estimate of resources September 23, 2003 (Permanent Appropriations) and June 28, 2004 (Final Appropriations).

Failure to obtain an amended certificate for an increase or deficiency could result in expenditures being made in excess of actual revenue and result in deficit spending.

Procedures should be developed to monitor estimated resources in relation to proposed appropriations in order to identify any potential appropriation that may exceed estimated resources. The certificate should be obtained from the county auditor that the total appropriations from each fund do not exceed the total official estimate or amended official estimate, whenever new appropriations are enacted.

**FINDING NUMBER - 2004-003**

**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.

A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. Failure to obtain an amended certificate for a deficiency could result in expenditures being made in excess of actual revenue and result in deficit spending.

A reduced amended certificate should have been obtained for the following fund since available resources fell below the current level of appropriations for the following funds:

<b>Fund</b>	<b>Unencumbered Balance</b>	<b>Actual Revenue</b>	<b>Total</b>	<b>Current Appropriations</b>	<b>Variance</b>
416 - Teacher Development	\$ 623	\$ 48,136	\$ 48,759	\$ 67,900	(\$19,141)
461- Vocational Education Enhancement	(2,444)	18,538	16,094	20,034	(3,940)
463 - Alternative Schools	9,477	283,302	292,779	299,106	(6,327)
501 - Adult Basic Education	(6,283)	114,983	108,700	140,586	(31,886)
516 - Title VI-B	(137,235)	937,195	799,960	1,106,967	(307,000)
524 - Vocational Education	(16,146)	202,977	186,831	210,148	(23,317)
572 - Title I	(66,420)	2,906,508	2,840,088	3,431,551	(591,463)
573 - Title VI	(63,717)	101,531	37,814	76,460	(63,717)
584 - Drug Free School	(1,199)	71,278	70,079	72,341	(2,262)
587 - Title VI-B Preschool	(3,938)	42,547	38,609	47,787	(9,178)
590 - Reducing Class Size	28,641	642,385	671,026	790,265	(119,239)
599 - Miscellaneous	(164,865)	845,515	680,650	926,490	(245,840)

In addition, the 501 Adult Basic Education Grant fund experienced deficit spending resulting in a negative fund balance of \$8,975 at June 30, 2004.

An amended certificate of estimated resources should be obtained whenever it is determined that the revenue to be collected will be significantly less and the deficiency will reduce available resources below the current level of appropriation.

**FINDING NUMBER - 2004-004**

**Ohio Rev. Code Section 5705.412** requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year.

Section 5705.412 certificates *should* be executed for:

- appropriation measures
- increased salary or wage schedules and
- any other “qualifying contracts”, including 1) negotiated agreements (e.g. professional association [“union”] contracts) and, 2) contracts for benefits (e.g., major health insurance contracts)

Obligations that have not been certified as required are considered void. No payments may be made on void obligations.

**FINDING NUMBER - 2004-004  
(Continued)**

The Board entered into seven Memorandum of Understandings (MOU's) which modify the negotiated agreement with the Lima Education Association during fiscal year 2004. A "412" certificate was not executed for any of the MOU's at the time of inception. Properly executed "412" certificates were subsequently approved on March 8, 2005 for the seven MOU's. Numerous supplemental appropriation measures were passed by the Board throughout the audit period. "412" certificates were not issued for the supplemental appropriations. Properly executed "412" certificates were subsequently approved on March 17, 2005 for the supplemental appropriations.

**FINDING NUMBER - 2004-005**

**Adherence to Negotiated Agreement**

The District has a negotiated agreement with the Lima Education Association, covering teachers within the District. Article XIII of the 2003-04, Article XIII of the 2002-03 and Article XIV of the 2000-01 agreements outline the calculation of severance payments upon retirement. When reviewing the severance payments made in 2003-04, several issues were raised:

- **Applicability of negotiated agreement** - The 2003-04 negotiated agreement was not approved until October 23, 2003 by the Lima Education Association and on November 19, 2003 by the Board of Education. The agreement states that the agreement shall become effective July 1, 2003. It does not address how to handle employees retiring July 1, 2003 or after and receiving severance and incentive payments before the 2003-04 negotiated agreement was approved. 10 of 27 certified employees who retired in 2003-04 were paid total severance of \$113,560 during this time frame. The severance and incentive payments received were based on the 2002-03 negotiated agreement.
- **Memorandum of Understandings (MOU's)** - A MOU was entered into by the Local Education Association and the Board in April of 2004 in relation to providing a bonus severance payment of 8 to 12% of final year salary for employees retiring in 2003-04 and 2004-05. This bonus severance payment was not paid to the teachers retiring at the beginning of the 2003-04 year. The MOU does not address if this payment is effective from the date of approval forward or if it is retroactive to July 1, 2003. Only 1 of 9 certified employees tested for severance was paid the bonus severance payment. In addition, one employee retiring in 2003-04 was paid in accordance with the 2000-01 agreement. Per review of correspondence between the employee and District personnel, it appears that an agreement was reached that she would be grandfathered in with the 2000-01 agreement, however an MOU was not executed for this severance and incentive payment. Upon bringing this to the District's attention, an MOU was entered into on March 22, 2005 for this payment. Several MOU's were in personnel files regarding severance payments, which were not approved by the Board. The Board has approved one of the MOU's in February of 2005 and the other in March of 2005.

Failure to follow the approved negotiated agreements and memorandum of understandings could allow for payments being made that are not in accordance with the intentions of the negotiating parties (the School District and Local Education Association). Further more, failure to abide by the negotiated agreement could open the School District to unnecessary liabilities.

Procedures and controls should be adopted and put into operation to assure that all payments are made in accordance with the negotiated agreement and memorandum of understandings approved by the District and the Local Education Association. Legal counsel should be contacted to obtain an opinion on how to handle severance and incentive payments when the negotiated agreement and/or memorandum of understandings are signed after payments have been made.

**FINDING NUMBER - 2004-006**

**Student Activity Procedures**

Various student activities are undertaken by clubs throughout the District. There is a Board approved student activity policy, however it does not address the financial operation of these activities.

The lack of formal policies and follow-up procedures to ensure that the policies were being followed led to the following events:

- **DECA I** - The appropriate forms (sales project potential form, requisition, purchase order) were not completed for this activity. District personnel were not aware of the fundraiser being undertaken by the activity in October of 2003. The fundraiser generated \$1,252.00 (\$723.50 in cash and \$528.50 in checks) in revenue, which was not paid into the Treasurer's office until February of 2005 due to the money being misplaced and not detected in the normal course of business.
- **DECA II** - Inventory records could not be found to support the daily sales. In addition, there was no support for the disposition of inventory on hand. Revenue related to DECA II accounts for 22% of 2003-04 extracurricular revenue in the agency fund.
- **Yearbook** - Per review of the yearbook, it was noted that several paid ads were not published in the yearbook and two ad pages were duplicated. It was also noted that for the first half of the audit period, timely deposits were not always made by the yearbook advisor. There was no evidence of a reconciliation performed between sales and the amount collected being performed.

The District should adopt formal student activity procedures. All advisors should be made aware of the procedures and what is expected of them. Each advisor should sign the procedures as indication that they have read and understood the procedures. No activity should have an advisor that has not signed the adopted procedures.

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

<b>Finding Number</b>	2004-007
<b>CFDA Title and Number</b>	Twenty-First Century Community Learning Centers – 84.287
<b>Federal Award Number / Year</b>	044222-T1S1-2004 044222-T1S1-2003
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**34 CFR Sections 200.62 through 200.67** state that a State Educational Agency, a Local Educational Agency, or any other educational service agency (or consortium of such agencies) receiving financial assistance must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under these programs. Before an agency or consortium makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the agency or consortium must engage in timely and meaningful consultation with private school officials.

The District did not consult with private school officials in regards to the 21<sup>st</sup> Century grant. No private schools participated in the 21<sup>st</sup> Century grant programs for fiscal year 2004.

Failure to provide and document timely and meaningful consultations with private school officials could lead to a loss of funding for the affected grants.

Timely and meaningful consultations should be held with private school officials. Documentation should be maintained regarding the consultations. In addition, documentation should be maintained of private school's desire to not participate in the federal funded program. This documentation should contain the signature of the private school official.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
FOR THE YEAR ENDED JUNE 30, 2004**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2003-001	ORC Sec. 117.28 - Finding for Recovery, Yearbook Sales	No	
2003-002	ORC Sec. 117.38 - District reported financial statements on cash basis	No	Repeated
2003-003	ORC Sec. 5705.36 - Failed to obtain reduced certificate of estimated resources	No	Repeated
2003-004	ORC Sec. 5705.39 - Appropriations exceeded estimated resources	No	Repeated
2003-005	ORC Sec. 5705.10 – District had deficit fund cash balances	No	Repeated in management letter, not material in the current audit.
2003-006	District should review student activity pay-in procedures	No	Repeated
2003-007	District should adhere to negotiated agreement	No	Modified and Repeated
2003-008	34 CFR Sec. 200.62 -.67 – Failure to consult with private schools concerning use of grant funds	No	Corrected for Improving Teacher Quality Grant, repeated for the Twenty-First Century Grant







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
MAY 5, 2005**