



OHIO AUDITOR OF STATE
KEITH FABER



**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lima City School District
Allen County
755 St. Johns Avenue
Lima, OH 45804

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lima City School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 18, 2022

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

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2021

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 33,757,710
Investments	8,754,789
Total assets	<u>\$ 42,512,499</u>
 Net position:	
Restricted for:	
Capital projects	\$ 1,476,908
Classroom facilities maintenance	1,343,518
Debt service	1,378,296
State funded programs	140,015
Federally funded programs	4,303
Food service operations	1,270,626
Student activities	163,199
Other purposes	202,615
Unrestricted	36,533,019
Total net position	<u>\$ 42,512,499</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Disbursements	Charges for Services and Sales	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 21,143,019	\$ 1,336,612	\$ 3,452,765	\$ -	\$ (16,353,642)
Special	8,511,863	281,178	5,504,423	-	(2,726,262)
Vocational	1,734,694	19,967	831,020	-	(883,707)
Adult/continuing	166,614	-	169,459	-	2,845
Other	11,392,684	-	-	-	(11,392,684)
Support services:					
Pupil	4,084,035	-	1,637,215	-	(2,446,820)
Instructional staff	4,043,431	-	1,767,521	-	(2,275,910)
Board of education	155,223	-	-	-	(155,223)
Administration	4,394,023	-	313,484	-	(4,080,539)
Fiscal	802,429	-	82,282	-	(720,147)
Business	56,149	6,766	-	-	(49,383)
Operations and maintenance	7,416,833	28,225	617,452	-	(6,771,156)
Pupil transportation	1,350,813	88	666,364	78,017	(606,344)
Central	87,682	-	16,200	-	(71,482)
Operation of non-instructional services:					
Food service operations	2,693,132	100,081	2,815,083	-	222,032
Other non-instructional services	1,195,078	-	1,184,600	-	(10,478)
Extracurricular activities	988,410	121,298	85,319	-	(781,793)
Facilities acquisition and construction	298,462	-	-	-	(298,462)
Debt service:					
Principal retirement	1,598,894	-	-	-	(1,598,894)
Interest and fiscal charges	233,117	-	-	-	(233,117)
Accretion of capital appreciation bonds	162,106	-	-	-	(162,106)
Total governmental activities	\$ 72,508,691	\$ 1,894,215	\$ 19,143,187	\$ 78,017	(51,393,272)
			General receipts:		
			Property taxes levied for:		
			General purposes		8,770,568
			Debt service		1,294,793
			Capital outlay		373,348
			Classroom facilities maintenance		108,236
			Grants and entitlements not restricted to specific programs		43,103,505
			Gifts and donations		26,809
			Sale of assets		113,191
			Investment earnings		288,572
			Miscellaneous		980,943
			Total general receipts		55,059,965
			Change in net position		3,666,693
			Net position at beginning of year		38,845,806
			Net position at end of year		\$ 42,512,499

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 29,931,116	\$ 3,826,594	\$ 33,757,710
Investments	6,872,082	1,882,707	8,754,789
Total assets	\$ 36,803,198	\$ 5,709,301	\$ 42,512,499
Fund balances:			
Nonspendable:			
Unclaimed funds	\$ 8,743	\$ -	\$ 8,743
Scholarship endowments	-	126,100	126,100
Restricted:			
Debt service	-	1,378,296	1,378,296
Capital improvements	-	1,476,908	1,476,908
Classroom facilities maintenance	-	1,343,518	1,343,518
Food service operations	-	1,270,626	1,270,626
Non-public schools	-	137,360	137,360
State funded programs	-	2,655	2,655
Federally funded programs	-	4,303	4,303
Extracurricular	-	163,199	163,199
Other purposes	-	67,772	67,772
Assigned:			
Student instruction	18,615	-	18,615
Student and staff support	160,828	-	160,828
School supplies	14,813	-	14,813
Unassigned (deficit)	36,600,199	(261,436)	36,338,763
Total fund balances	\$ 36,803,198	\$ 5,709,301	\$ 42,512,499

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property taxes	\$ 8,770,568	\$ 1,776,377	\$ 10,546,945
Intergovernmental	47,417,044	14,829,466	62,246,510
Investment earnings	278,319	10,818	289,137
Tuition and fees	1,637,751	-	1,637,751
Extracurricular	6,860	120,141	127,001
Rental income	28,225	1,157	29,382
Charges for services	44,656	100,081	144,737
Contributions and donations	26,809	46,988	73,797
Miscellaneous	936,287	30,646	966,933
Total receipts	<u>59,146,519</u>	<u>16,915,674</u>	<u>76,062,193</u>
Disbursements:			
Current:			
Instruction:			
Regular	17,659,047	3,483,972	21,143,019
Special	7,171,154	1,340,709	8,511,863
Vocational	1,623,843	110,851	1,734,694
Adult/continuing	-	166,614	166,614
Other	11,392,684	-	11,392,684
Support services:			
Pupil	2,452,260	1,631,775	4,084,035
Instructional staff	2,369,723	1,673,708	4,043,431
Board of education	155,223	-	155,223
Administration	4,100,726	293,297	4,394,023
Fiscal	681,406	121,023	802,429
Business	56,149	-	56,149
Operations and maintenance	6,331,809	1,085,024	7,416,833
Pupil transportation	826,958	523,855	1,350,813
Central	71,482	16,200	87,682
Operation of non-instructional services:			
Food service operations	-	2,693,132	2,693,132
Other non-instructional services	-	1,195,078	1,195,078
Extracurricular activities	665,189	323,221	988,410
Facilities acquisition and construction	204,091	94,371	298,462
Debt service:			
Principal retirement	356,000	1,242,894	1,598,894
Interest and fiscal charges	61,667	171,450	233,117
Accretion of capital appreciation bonds	-	162,106	162,106
Total disbursements	<u>56,179,411</u>	<u>16,329,280</u>	<u>72,508,691</u>
Excess of receipts over disbursements	<u>2,967,108</u>	<u>586,394</u>	<u>3,553,502</u>
Other financing sources (uses):			
Sale of assets	112,541	650	113,191
Transfers in	-	131,432	131,432
Transfers (out)	(131,432)	-	(131,432)
Total other financing sources (uses)	<u>(18,891)</u>	<u>132,082</u>	<u>113,191</u>
Net change in fund balances	2,948,217	718,476	3,666,693
Fund balances at beginning of year	<u>33,854,981</u>	<u>4,990,825</u>	<u>38,845,806</u>
Fund balances at end of year	<u>\$ 36,803,198</u>	<u>\$ 5,709,301</u>	<u>\$ 42,512,499</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property taxes	\$ 8,774,751	\$ 8,770,568	\$ 8,770,568	\$ -
Intergovernmental	45,862,283	47,417,043	47,417,043	-
Investment earnings	600,000	278,319	278,319	-
Tuition and fees	1,571,700	1,616,451	1,616,451	-
Rental income	21,500	28,225	28,225	-
Charges for services	74,100	63,834	44,656	(19,178)
Contributions and donations	30,000	10,219	10,219	-
Miscellaneous	617,200	909,579	909,564	(15)
Total receipts	<u>57,551,534</u>	<u>59,094,238</u>	<u>59,075,045</u>	<u>(19,193)</u>
Disbursements:				
Current:				
Instruction:				
Regular	17,195,421	17,789,795	17,752,574	37,221
Special	7,563,767	7,211,255	7,201,529	9,726
Vocational	1,538,697	1,611,467	1,611,068	399
Adult/continuing	261	347	347	-
Other	11,578,743	11,515,686	11,392,772	122,914
Support services:				
Pupil	2,545,628	2,480,606	2,477,891	2,715
Instructional staff	3,443,931	2,439,541	2,433,109	6,432
Board of education	117,767	155,263	155,263	-
Administration	4,210,866	4,136,830	4,118,387	18,443
Fiscal	799,772	723,435	683,051	40,384
Business	27,922	37,663	33,101	4,562
Operations and maintenance	8,840,364	6,373,878	6,348,457	25,421
Pupil transportation	1,454,678	832,039	829,908	2,131
Central	24,291	71,482	71,482	-
Operation of non-instructional services:				
Other non-instructional services	34,691	-	-	-
Extracurricular activities	715,204	705,772	668,067	37,705
Facilities acquisition and construction	212,571	204,091	204,091	-
Debt service:				
Principal	356,000	356,000	356,000	-
Interest and fiscal charges	61,667	61,667	61,667	-
Total disbursements	<u>60,722,241</u>	<u>56,706,817</u>	<u>56,398,764</u>	<u>308,053</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,170,707)</u>	<u>2,387,421</u>	<u>2,676,281</u>	<u>288,860</u>
Other financing sources (uses):				
Refund of prior year's disbursements	321,500	192,999	192,999	-
Transfers (out)	-	(128,000)	(128,000)	-
Sale of capital assets	-	112,541	112,541	-
Total other financing sources (uses)	<u>321,500</u>	<u>177,540</u>	<u>177,540</u>	<u>-</u>
Net change in fund balance	(2,849,207)	2,564,961	2,853,821	288,860
Fund balance at beginning of year	33,181,968	33,181,968	33,181,968	-
Prior year encumbrances appropriated	563,953	563,953	563,953	-
Fund balance at end of year	<u>\$ 30,896,714</u>	<u>\$ 36,310,882</u>	<u>\$ 36,599,742</u>	<u>\$ 288,860</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Custodial</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>170,198</u>	\$ <u>103,664</u>
Net position:		
Restricted for individuals	\$ <u>170,198</u>	\$ <u>103,664</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Private-Purpose Trust	Custodial
	Scholarship	
Additions:		
Earnings on investments	\$ 133	\$ 4
Contributions and donations	116,333	102,400
Total additions	116,466	102,404
Deductions:		
Scholarships awarded	135,450	1,182
Change in net position	(18,984)	101,222
Net position at beginning of year	189,182	2,442
Net position at end of year	\$ 170,198	\$ 103,664

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District was established in 1856 through the consolidation of existing land areas and school districts. The School District is the 58th largest in the State of Ohio (among 625 school districts) in terms of enrollment. It is staffed by 254 non-certificated employees and 405 certificated full-time teaching and administrative personnel who provide services to 3,598 students and other community members. The School District currently operates ten instructional/support facilities including one administrative center.

Reporting Entity

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

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

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

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

The School District is associated with three jointly governed organizations, one group purchasing pool and a related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, the West Central Ohio Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the Council of Allen County Schools Health Benefits Consortium, and the Lima Public Library. These organizations are presented in Notes 13, 14 and 15 to the financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

B. Basis of Presentation

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the School District.

All assets and net cash position associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

GOVERNMENTAL FUNDS

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major governmental fund is the General Fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Other governmental funds of the School District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed or assigned to expenditures for principal and interest and (c) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. The School District's trust funds account for scholarships awarded by the donor. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's custodial funds account for (1) monies collected and disbursed to the Ohio High School Athletic Association (OHSAA) and (2) programs that provide college scholarships for students after graduation for which the District has no administrative involvement. There was no activity or balances for the OHSAA custodial fund in fiscal year 2021.

D. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes the limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board.

The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

While the School District is reporting financial position, results of operation, and changes in fund balances on the modified cash basis fund statements, the budgetary basis as provided by law is based upon accounting for certain transactions of cash receipts, disbursements and encumbrances. The budgetary comparison statement for the General fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budgeted amounts. The adjustments necessary to reconcile modified cash and budget basis statements are as follows:

<u>Net Change in Fund Balance - General Fund</u>	
Modified cash basis	\$ 2,948,217
Encumbrances	(90,508)
Excess of funds combined with General fund for reporting purposes	<u>(3,888)</u>
Budget basis	<u>\$ 2,853,821</u>

E. Cash and Investments

To improve cash management, the majority of cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.” Specific funds have separately identifiable investments.

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

During fiscal year 2021, investments included Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), US Treasury Notes, Federal Home Loan Mortgage Corporation (FHLMC), Federal Farmers Credit Corporation (FFCB), Money Market Funds, Commercial Paper, Negotiable Certificates of Deposits, Municipal bonds, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants”. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest earnings credited to the General Fund during fiscal year 2021 was \$278,319, which included \$26,881 assigned from other School District funds.

An analysis of the School District’s investment account at fiscal year-end is provided in Note 4.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as cash disbursements when paid. These items are not reflected as assets in the accompanying financial statements under the modified cash basis of accounting. Depreciation has not been reported for any capital assets.

G. Compensated Absences

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

H. Long-Term Liabilities

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

I. Fund Cash Balance

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

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

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

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

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the School District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The School District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund cash balance classifications could be used.

J. Net Position

Net position represents cash assets held by the School District at year-end. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District applies restricted resources first when a cash disbursement is made for purposes for which both restricted and unrestricted net cash position is available. As of June 30, 2021, of the School District's \$5,979,480 restricted net position, \$0 was restricted by enabling legislation. The amount restricted for other purposes represents amounts restricted for student scholarships, the balances of the student managed activity funds and the district managed student activity fund for which the District has administrative involvement.

K. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as receipts in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

L. Pensions and Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value. The School District recognizes the disbursement for employer contributions to cost sharing pension plans when they are paid. As described in Note 9 and 10 the employer contributions include portions for pension benefits and for postretirement health care benefits.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2021, the School District has applied GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance.*" GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

C. Deficit Fund Balances

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Adult basic education	\$ 4,754
Elementary and secondary school emergency relief	207,793
IDEA, Part B	93
Vocational education	6,844
Title I, disadvantaged children	31,976
IDEA preschool grant for handicapped	39
Improving teacher quality	9,937

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal fair value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the School District had \$200 in undeposited cash on hand which is included on the Statement of Assets and Fund Balances of the School District as part of "Equity in Pooled Cash and Investments".

B. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$1,554,462, and the bank balance was \$2,266,006. Of the bank balance, \$287,063 covered by federal depository insurance and \$1,978,943 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institutions trust department or agent, but not in the name of the School District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law required that deposits be either insured or be protected by:

Eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured;

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayments of all public monies deposited in financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

C. Investments

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

Investment type	Carrying Value	Fair Value	Investment Maturities		% of Portfolio	Credit Rating S&P
			Less than 1 year	1 to 5 years		
Commercial paper	\$ 2,875,195	\$ 2,878,860	\$ 2,878,860	\$ -	6.97%	A-1
Negotiable CDs	4,443,663	4,561,527	4,561,527	-	11.04%	N/A
FNMA	2,544,050	2,540,081	-	2,540,081	6.15%	AA+
FFCB	2,299,789	2,297,901	511,209	1,786,692	5.56%	AA+
FHLMC	1,484,977	1,486,596	564,858	921,738	3.60%	AA+
FHLB	3,654,305	3,630,592	891,728	2,738,864	8.79%	AA+
Municipal bonds	462,713	456,441	-	456,441	1.10%	AA
U.S. treasury notes	648,832	648,882	-	648,882	1.57%	N/A
Money market funds	7,313	7,313	7,313	-	0.02%	N/A
STAR Ohio	22,810,862	22,810,862	22,810,862	-	55.21%	AAA _m
Total	\$ 41,231,699	\$ 41,319,055	\$ 32,226,357	\$ 9,092,698		

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Credit Risk: The School District limits their investments to securities issued by Federal Agencies, Commercial Paper, Municipal bonds, US Treasury Money Market Funds and STAR Ohio.

Concentration of Credit Risk: The School District’s investment policy allows investments in Repurchase Agreements, US Government Securities and Instrumentalities, Commercial Paper, Money Market Mutual Funds and STAR Ohio and allowable investments as defined by Ohio Revised Code Sections 133 and 135.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investments in federal agency securities, Municipal bonds, U.S. Treasury notes, and commercial paper are exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty’s trust department or agent in the School District’s name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

D. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note disclosure above to cash as reported on the statement of net position as of June 30, 2021:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 1,554,462
Investments	41,231,699
Cash on hand	200
Total	<u>\$ 42,786,361</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 42,512,499
Private-purpose trust fund	170,198
Custodial funds	103,664
Total	<u>\$ 42,786,361</u>

E. Fair Value Measurement

The fair value of the School District’s investments, presented above, are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment’s risk. The School District had the following reoccurring fair value measurements as of June 30, 2021:

<u>Investment type</u>	<u>Fair Value</u>	<u>Identical Assets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Commercial paper	\$ 2,878,860	\$ -	\$ 2,878,860	\$ -
Negotiable CDs	4,561,527	-	4,561,527	-
FNMA	2,540,081	-	2,540,081	-
FFCB	2,297,901	-	2,297,901	-
FHLMC	1,486,596	-	1,486,596	-
FHLB	3,630,592	-	3,630,592	-
Municipal bonds	456,441	-	456,441	-
U.S. treasury notes	648,882	-	648,882	-
Total	<u>\$ 18,500,880</u>	<u>\$ -</u>	<u>\$ 18,500,880</u>	<u>\$ -</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 268,897,210	91.94	\$ 270,409,260	91.14
Public utility personal	<u>23,579,720</u>	<u>8.06</u>	<u>26,295,920</u>	<u>8.86</u>
Total	<u>\$ 292,476,930</u>	<u>100.00</u>	<u>\$ 296,705,180</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 48.58		\$ 48.50	

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School District contracted with The Midwestern Indemnity Co. for property, general liability and business personal property insurance. Limits for these coverages are \$185,721,795, \$1,000,000 each occurrence and \$2,000,000 general aggregate limit and \$23,450,000, respectively. Professional liability is protected by the Midwestern Indemnity Co. with \$1,000,000 each occurrence, \$1,000,000 aggregated limit.

Vehicles are covered by The Midwestern Indemnity Company and have a \$1,000 deductible for comprehensive and collisions. Automobile liability has a \$1,000,000 combined single limit of liability. Public officials' bond insurance is provided by American States Insurance Company for a total of \$140,000.

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.

B. Workers' Compensation

The School District provided Workers' Compensation for its employees. The firm of Sedgwick served as our third-party administrator (TPA) and provided administrative, cost control, assistance with safety programs and actuarial services to the School District. Sedgwick also serves as our medical care organization (MCO) and handled our medical claims.

C. Health Insurance

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

Under the modified cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. During fiscal year 2021, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/20</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/21</u>	Amounts Due in <u>One Year</u>
General Obligation Bonds:					
Various Purpose GO Bonds - 2000					
Serial and Term Bonds - 5-6%	\$ 60,000	\$ -	\$ -	\$ 60,000	\$ -
Refunding GO Bonds - 2012A					
Serial Bonds - 1.5-3%	2,760,000	-	(100,000)	2,660,000	300,000
Capital Appreciation Bonds - 21.51%	32,894	-	(32,894)	-	-
Refunding GO Bonds - 2015					
Serial Interest Bonds - 1.25-3.0%	3,440,000	-	(1,110,000)	2,330,000	1,145,000
Energy Conservation GO Bonds - 2015					
Serial Interest Bonds - 2.211%	1,555,000	-	(245,000)	1,310,000	250,000
Lease-Purchase Agreement - 2013					
Stadium Renovations - 3.2%	<u>987,000</u>	<u>-</u>	<u>(111,000)</u>	<u>876,000</u>	<u>114,000</u>
Total long-term obligations	<u>\$ 8,834,894</u>	<u>\$ -</u>	<u>\$ (1,598,894)</u>	<u>\$ 7,236,000</u>	<u>\$ 1,809,000</u>

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

The total budget for the project was \$104,029,247, of which \$92,663,247 was awarded in school facilities monies and \$11,366,000 was the School District’s share of the project. The School District issued bonds which are being repaid from the proceeds of a tax levy. An additional property tax levy of one-half mill levy was levied for a twenty-three-year period to maintain the facilities. If the School District’s three-year average adjusted valuation per pupil increases above the state-wide median three-year adjusted valuation per pupil, the School District may become responsible for repayment of a portion of the State’s contribution. Based on the School District’s adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote. This debt is not reflected in the general long-term obligations schedule above.

School Improvement Advance Refunding Bonds - On March 15, 2012, the School District issued \$4,125,000 in serial bonds and \$94,970 in capital appreciation bonds to provide resources to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for the advance refunding of \$4,220,000 School Improvement Bonds dated October 22, 2003 and maturing on December 1, 2028. The bonds were issued for a seventeen-year period with final maturity of December 1, 2028.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - (Continued)

These general obligation serial bonds issued on March 15, 2012, due December 1, 2028, are subject to prior redemption. Serial bonds maturing on or after December 1, 2022 are subject to prior redemption by and at the sole option of the School District either in whole or in part (as selected by the Board and in whole multiples of \$5,000), on any date on or after December 1, 2021 at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the redemption date. The capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds matured in fiscal years 2020 and 2021. The maturity amount of the bonds is \$495,000. However, under the modified cash basis of accounting, the outstanding balance in the schedule of changes in general long-term obligations is recorded at the original issue amount and no accretion is reported. The bonds are being retired from the debt service fund (a nonmajor governmental fund).

General Obligation Advance Refunding Bonds - On August 5, 2015, the School District issued \$6,660,000 in serial bonds to provide resources that were used to advance refund \$6,780,000 of the outstanding Various Purpose Bonds dated November 10, 2005. These funds were deposited in an Escrow Fund (the 2015 Unvoted Bonds Escrow Fund) held by The Huntington National Bank (the Escrow Agent), pursuant to an Escrow Agreement between the School District and the Escrow Agent dated as of August 24, 2015 (the 2015 Unvoted Bonds Escrow Agreement). The bonds were issued for a seven-year period with final maturity December 1, 2022. The bonds are being retired from the debt service fund (a nonmajor governmental fund) and, are not subject to redemption prior to scheduled maturity.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021 are shown below.

Fiscal Year Ended	Serial Bonds		
	Principal	Interest	Total
2022	\$ 1,445,000	\$ 131,625	\$ 1,576,625
2023	1,555,000	85,725	1,640,725
2024	315,000	56,775	371,775
2025	325,000	47,175	372,175
2026	335,000	37,275	372,275
2027 - 2029	<u>1,075,000</u>	<u>48,825</u>	<u>1,123,825</u>
Total	<u>\$ 5,050,000</u>	<u>\$ 407,400</u>	<u>\$ 5,457,400</u>

House Bill 264 Energy Conservation Improvement Bonds - On October 27, 2015, the School District issued bonds for the purpose of energy conservation improvements at School District facilities. Interest is due and payable semi-annually on June 1 and December 1, commencing on June 1, 2016. Principal is due and payable on December 1, commencing on December 1, 2016. Final maturity is December 1, 2025 with a stated interest rate of 2.211%. The energy conservation improvement bonds are being retired from the general fund.

Principal and interest requirements to retire energy conservation improvement bonds outstanding at June 30, 2021 are shown below.

Fiscal Year Ended	Energy Conservation Improvement		
	Principal	Interest	Total
2022	\$ 250,000	\$ 26,200	\$ 276,200
2023	255,000	20,617	275,617
2024	265,000	14,869	279,869
2025	265,000	9,010	274,010
2026	<u>275,000</u>	<u>3,040</u>	<u>278,040</u>
Total	<u>\$ 1,310,000</u>	<u>\$ 73,736</u>	<u>\$ 1,383,736</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT OBLIGATIONS - (Continued)

Lease-Purchase Agreement - Stadium Renovations - On April 9, 2014, the School District entered into a ground lease with a financial institution for the High School athletic stadium for \$100 through December 1, 2032. Simultaneously, the two parties entered into a contract to lease the property to the School District, including existing and new improvements made upon the property.

To facilitate the new improvements to the property called for within the agreement, an escrow agreement was also entered into wherein the financial institution was required to deposit \$1,600,000 and the School District was required to deposit \$420,000. The School District has the responsibility to authorize disbursements from the escrow account. Any funds remaining in the escrow account upon completion of the improvements will be used to prepay base rent payments called for under the facilities agreement. Annual rental payments are contingent upon being annually appropriated by the School District and are scheduled to end on December 1, 2027. Upon final payment of all scheduled rent payments, ownership of property reverts back to the School District. The lease-purchase agreement is being retired from the general fund.

Principal and interest components of the scheduled base rent payments outstanding at June 30, 2021 are shown below:

Fiscal Year Ended	Lease-Purchase Agreement		
	Principal	Interest	Total
2022	\$ 114,000	\$ 26,372	\$ 140,372
2023	117,000	22,653	139,653
2024	121,000	18,821	139,821
2025	125,000	14,860	139,860
2026	129,000	10,771	139,771
2027 - 2028	<u>270,000</u>	<u>8,759</u>	<u>278,759</u>
Total	<u>\$ 876,000</u>	<u>\$ 102,236</u>	<u>\$ 978,236</u>

Legal Debt Margin - The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$23,031,762 (including available funds of \$1,378,296) and an unvoted debt margin of \$296,705.

NOTE 8 - COMPENSATED ABSENCES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework. The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability/Asset

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The School District's contractually required contribution to SERS was \$1,109,718 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

**LIMA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age. The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$3,663,422 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

**LIMA CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.21775960%	0.20673037%	
Proportion of the net pension liability current measurement date	<u>0.22331810%</u>	<u>0.20997449%</u>	
Change in proportionate share	<u>0.00555850%</u>	<u>0.00324412%</u>	
Proportionate share of the net pension liability	\$ 14,770,730	\$ 50,806,355	\$ 65,577,085

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investment expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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ALLEN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$ 20,234,096	\$ 14,770,730	\$ 10,186,861

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

	July 1, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$ 72,339,405	\$ 50,806,355	\$ 32,558,889

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 9 for a description of the net OPEB liability (asset). The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$136,758.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$136,758 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.22246820%	0.20673037%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.22668400%</u>	<u>0.20997449%</u>	
Change in proportionate share	<u>0.00421580%</u>	<u>0.00324412%</u>	
Proportionate share of the net OPEB liability	\$ 4,926,585	\$ -	\$ 4,926,585
Proportionate share of the net OPEB asset	\$ -	\$ 3,690,300	\$ 3,690,300

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63%
Prior measurement date	3.22%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 6,030,018	\$ 4,926,585	\$ 4,049,358

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 3,879,311	\$ 4,926,585	\$ 6,327,059

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	July 1, 2020		July 1, 2019	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2019.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 3,210,800	\$ 3,690,300	\$ 4,097,136

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 4,071,882	\$ 3,690,300	\$ 3,225,473

NOTE 11 - ENCUMBRANCES

At year end, the School District had the following amounts encumbered for future purchase obligations:

Fund	Encumbrances
General fund	\$ 91,434
Nonmajor governmental funds	<u>737,687</u>
Total	<u>\$ 829,121</u>

NOTE 12 - SET-ASIDES

The School District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Acquisition</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	607,567
Current year qualifying disbursements	(580,209)
Excess qualified disbursements from prior years	(447,407)
Current year offsets	<u>(542,638)</u>
Total	<u>\$ (962,687)</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u>\$ -</u>

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

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

West Central Ohio Regional Professional Development Center (the “Center”) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Greg Spiess, Treasurer, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840-3087.

Northwestern Ohio Educational Research Council, Inc. (NOERC) - 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 School Districts, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio 45822.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 14 - GROUP PURCHASING POOL

Council of Allen County Schools Health Benefits Consortium - The School District participates in the Council of Allen County Schools Health Benefits Consortium (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, Allen County Educational Service Center, concerning aspects of the administration of the Trust. Each school district decides which plans offered to the Board of Education will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

Financial information can be obtained from Steve Arnold, who serves as Chairman, at the Allen County School District, 1920 Slabtown Road, Lima, Ohio 45804.

NOTE 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 School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Lima Public Library, Scott Shafer, Clerk/Treasurer, 650 West Market Street, Lima, Ohio 45801.

NOTE 16 - CONTINGENCIES

A. Grants

The School District receives significant financial assistance from numerous federal and State agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District at June 30, 2021.

B. Litigation

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

C. State Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2021 Foundation funding for the District. As a result of the fiscal year 2021 reviews, the District owed an additional \$25,433 to ODE. This amount has not been included in the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 17 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments have entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the School District. The CRA program is a direct incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the School District, the City of Lima has entered into such agreements. Under these agreements, the School District’s property taxes were reduced by \$92,184. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

NOTE 18 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the school district received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 19 – SUBSEQUENT EVENT

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$5,839,284.52 in revenues and expenditures/expenses related to these programs. Also during fiscal year 2021, the School District reported \$1,637,751 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
(Passed through Ohio Department of Education)		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
Summer Food Service Program for Children	10.559	187,503
Cash Assistance:		
COVID-19 Summer Food Service Program for Children	10.559	732,326
Summer Food Service Program for Children	10.559	2,001,379
Total Cash Assistance:		<u>2,733,705</u>
Total Child Nutrition Cluster		<u>2,921,208</u>
Total U.S. Department of Agriculture		<u>2,921,208</u>
U.S. DEPARTMENT OF TREASURY		
(Passed through Ohio Department of Education)		
COVID-19 Coronavirus Relief Fund		
COVID-19 BroadbandOhio Connectivity	21.019	61,612
COVID-19 CRF-Urban SD	21.019	194,498
Total COVID-19 Coronavirus Relief Fund		<u>256,110</u>
Total U.S. Department of Treasury		<u>256,110</u>
U.S. Department of Education		
(Passed through Ohio Department of Education)		
Title I Grants to Local Educational Agencies	84.010	3,270,191
Special Education Cluster (IDEA)		
Special Education_Grants to States	84.027	965,890
Special Education_Preschool Grants	84.173	44,799
Total Special Education Cluster (IDEA)		<u>1,010,689</u>
Career and Technical Education - Basic Grants to States	84.048	119,243
Special Education - State Personnel Development	84.323	11,066
Supporting Effective Instruction State Grants	84.367	267,253
Student Support and Academic Enrichment Program	84.424	220,240
COVID-19 Education Stabilization Fund		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	<u>3,700,904</u>
Total U.S. Department of Education		<u>8,599,586</u>
Total Expenditures of Federal Awards		<u>\$ 11,776,904</u>

The accompanying notes are an integral part of this schedule.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2021**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lima City School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the Cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

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

NOTE G – PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by a Consortium through Elida Local Schools. For 2021, the School District's allocation was as follows:

Title III English Second Language Grants – CFDA #84.365A..... \$3,898.01

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lima City School District
Allen County
755 St. Johns Avenue
Lima, OH 45804

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lima City School District, Allen County, Ohio (the School District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 18, 2022 wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

School District's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 18, 2022

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Lima City School District
Allen County
755 St. Johns Avenue
Lima, OH 45804

To the Board of Education:

Report on Compliance for the Major Federal Programs

We have audited Lima City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Lima City School District's major federal programs for the fiscal year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lima City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

May 18, 2022

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster Supporting Effective Instruction State Grants COVID-19 Education Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2021-001

Noncompliance Citation

Ohio Rev. Code §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 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District.

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

OFFICIALS' RESPONSE:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



District's Schedule of Prior Audit Findings

Finding 2020-001: Report Annual Financial Statements

The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United State of America (GAAP). Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Status: Uncorrected – See audit finding 2021-001

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CORRECTIVE ACTION PLAN

Finding Number: 2021-001
Planned Corrective Action: Lima City Schools prepares an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement 34. An OCBOA report is accepted by The American Institute of Certified Public Accountants. Board Resolution number 118-03 gave the fiscal officer permission to prepare OCBOA statements because they are more cost beneficial.

Anticipated Completion Date: The District will review the process annually, in conjunction with the preparation of the financial statements.

Responsible Contact Person: Shelly Reiff, Treasurer

OHIO AUDITOR OF STATE KEITH FABER



LIMA CITY SCHOOL DISTRICT

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/14/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov