



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Lima City School District, Allen County, (the School District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

March 9, 2001

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**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2000**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Cash and Cash Equivalents	\$2,104,358	\$1,687,485	\$622,004	\$25,360,642
Restricted Cash	480,329			
Investments	3,496,599			10,272,877
Receivables:				
Taxes	7,269,881	85,114	1,394,684	312,013
Accounts	7,500			
Intergovernmental	72,594			
Due from Other Funds	208,197			
Prepaid Items	58,082	40		
Materials and Supplies Inventory	29,876			
Inventory Held for Resale				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets and Other Debits	<u>13,727,416</u>	<u>1,772,639</u>	<u>2,016,688</u>	<u>35,945,532</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	92,820	66,407		82,042
Accrued Salaries and Benefits	2,794,478	445,210		
Due to Other Funds		58,197		
Intergovernmental Payable	488,618	51,900		
Due to Students				
Compensated Absences Payable	207,998			
Retirement Incentive Payable	146,346			
Deferred Revenue	6,181,156	85,114	1,394,684	312,013
Bonds Payable				
Notes Payable				16,866,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>9,911,416</u>	<u>706,828</u>	<u>1,394,684</u>	<u>17,260,055</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	421,050	151,798		1,196,287
Reserved for Inventory	29,876			
Reserved for Prepaid Items	58,082	40		
Reserved for Property Taxes	1,088,725			
Reserved for Principal				
Reserved for Debt Service			622,004	
Reserved for Budget Stabilization	480,329			
Designated for Budget Stabilization	31,212			
Unreserved	1,706,726	913,973		17,489,190
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	<u>3,816,000</u>	<u>1,065,811</u>	<u>622,004</u>	<u>18,685,477</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u><b>\$13,727,416</b></u>	<u><b>\$1,772,639</b></u>	<u><b>\$2,016,688</b></u>	<u><b>\$35,945,532</b></u>

*The accompanying notes to the general-purpose financial statements are an integral part of this statement.*



<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>(Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>Fixed Assets</u>	<u>Long-Term Obligations</u>	
\$246,708	\$469	\$274,514			\$30,296,180 480,329 13,769,476
54,017		2,461			9,061,692 63,978 72,594 208,197
62					58,184
5,640					35,516
33,269					33,269
68,672			\$25,614,366		25,683,038
				\$622,004	622,004
				24,238,248	24,238,248
<u>408,368</u>	<u>469</u>	<u>276,975</u>	<u>25,614,366</u>	<u>24,860,252</u>	<u>104,622,705</u>
2,470		5,069			248,808
119,119					3,358,807
150,000					208,197
128,554				308,448	977,520
69,678		47,398			47,398
23,819				5,526,820	5,804,496
					146,346
					7,996,786
				17,605,996	17,605,996
				1,418,988	18,284,988
<u>493,640</u>		<u>52,467</u>		<u>24,860,252</u>	<u>54,679,342</u>
(85,272)	469		25,614,366		25,614,366 (84,803)
					1,769,135 29,876 58,122 1,088,725
		142,108			142,108 622,004 480,329 31,212
		82,400			20,192,289
<u>(85,272)</u>	<u>469</u>	<u>224,508</u>	<u>25,614,366</u>		<u>49,943,363</u>
<u>\$408,368</u>	<u>\$469</u>	<u>\$276,975</u>	<u>\$25,614,366</u>	<u>\$24,860,252</u>	<u>\$104,622,705</u>

LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$8,036,478	\$57,725	\$531,066	\$300,845		\$8,926,114
Tuition and Fees	106,160					106,160
Intergovernmental	23,353,321	7,563,948	59,030	1,874,208		32,850,507
Interest	545,626	14,249		485,533	\$821	1,046,229
Extracurricular Activities		257,268				257,268
Customer Services	36,129					36,129
Gifts and Donations		23,933		255,600	5,456	284,989
Rent	18,986					18,986
Miscellaneous	26,786	3,235				30,021
<b>Total Revenues</b>	<b>32,123,486</b>	<b>7,920,358</b>	<b>590,096</b>	<b>2,916,186</b>	<b>6,277</b>	<b>43,556,403</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	13,940,901	1,607,105		59,694	2,500	15,610,200
Special	3,186,362	2,122,941				5,309,303
Vocational	1,697,582	99,422				1,797,004
Adult/Continuing	86,809	74,628				161,437
Other	352,443					352,443
Support Services:						
Pupils	1,143,210	1,752,681				2,895,891
Instruction	644,863	681,429				1,326,292
Board of Education	20,910					20,910
Administration	3,783,341	179,844				3,963,185
Fiscal	437,192	101,814	10,794	6,079		555,879
Business	260,789	47,903			1,611	310,303
Operation and Maintenance	3,950,289	21,761				3,972,050
Transportation	416,759	6,860				423,619
Central Services	137,405	35,300				172,705
Non-Instructional Services		658,642			1,950	660,592
Extracurricular Activities	510,927	203,425				714,352
Capital Outlay	254			1,202,488		1,202,742
Debt Service:						
Principal			461,000			461,000
Interest			131,938			131,938
<b>Total Expenditures</b>	<b>30,570,036</b>	<b>7,593,755</b>	<b>603,732</b>	<b>1,268,261</b>	<b>6,061</b>	<b>40,041,845</b>
Excess of Revenues Over (Under) Expenditures	1,553,450	326,603	(13,636)	1,647,925	216	3,514,558
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In		3,911	592,939	262,757		859,607
Proceeds from Sale of Bonds				16,865,996		16,865,996
Other Financing Sources		500	42,701			43,201
Operating Transfers Out	(596,850)		0	(262,757)		(859,607)
<b>Total Other Financing Sources (Uses)</b>	<b>(596,850)</b>	<b>4,411</b>	<b>635,640</b>	<b>16,865,996</b>		<b>16,909,197</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	956,600	331,014	622,004	18,513,921	216	20,423,755
Fund Balances at Beginning of Year - Restated (See Note 3)	2,859,400	734,797	0	171,556	24,449	3,790,202
<b>Fund Balances at End of Year</b>	<b>\$3,816,000</b>	<b>\$1,065,811</b>	<b>\$622,004</b>	<b>\$18,685,477</b>	<b>\$24,665</b>	<b>\$24,213,957</b>

The accompany notes to the general-purpose statements are an integral part of this statement.

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ALLEN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types					Variance Favorable (Unfavorable)
	General Fund		Special Revenue Funds			
	Revised Budget	Actual	Revised Budget	Actual	Variance Favorable (Unfavorable)	
<b>Revenues:</b>						
Taxes	\$8,177,107	\$7,511,231	(\$665,876)	\$55,250	\$57,725	\$2,475
Tuition and Fees	87,188	106,160	18,972			
Intergovernmental	25,195,097	23,280,727	(1,914,370)	8,519,249	7,563,948	(955,301)
Interest	397,882	533,431	135,549	14,249	14,249	
Rent	9,935	11,486	1,551			
Extracurricular Activities				275,176	257,268	(17,908)
Gifts and Donations				23,661	23,933	272
Customer Services	63,637	36,129	(27,508)			
Miscellaneous	35,322	26,786	(8,536)	19,103	3,234	(15,869)
<b>Total Revenues</b>	<b>33,966,168</b>	<b>31,505,950</b>	<b>(2,460,218)</b>	<b>8,906,688</b>	<b>7,920,357</b>	<b>(986,331)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	14,693,321	13,750,114	943,207	1,947,115	1,670,424	276,691
Special	3,406,083	3,129,360	276,723	2,561,002	2,127,155	433,847
Vocational	1,917,414	1,684,778	232,636	99,502	99,469	33
Adult/Continuing	107,580	85,982	21,598	112,912	77,247	35,665
Other	387,855	375,505	12,350			
Support Services:						
Pupils	1,541,808	1,145,452	396,356	2,644,780	1,806,538	838,242
Instruction	701,582	645,477	56,105	1,010,778	705,463	305,315
Board of Education	17,541	21,110	(3,569)			
Administration	3,851,083	3,848,172	2,911	237,097	179,576	57,521
Fiscal	662,894	450,144	212,750	101,814	101,814	
Business	255,466	263,995	(8,529)	75,025	57,398	17,627
Operation and Maintenance	4,584,898	4,235,541	349,357	30,092	21,761	8,331
Transportation	399,329	460,967	(61,638)	6,860	6,860	
Central Services	273,743	143,013	130,730	33,488	33,488	
Non-Instructional Services				844,074	770,871	73,203
Extracurricular Activities	497,439	505,514	(8,075)	245,377	216,226	29,151
Capital Outlay	13,649	254	13,395			
Debt Service:						
Principal						
Interest						
<b>Total Expenditures</b>	<b>33,311,685</b>	<b>30,745,378</b>	<b>2,566,307</b>	<b>9,949,916</b>	<b>7,874,290</b>	<b>2,075,626</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>654,483</u>	<u>760,572</u>	<u>106,089</u>	<u>(1,043,228)</u>	<u>46,067</u>	<u>1,089,295</u>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	414,492		(414,492)	7,889	3,911	(3,978)
Proceeds from Sale of Notes	262,500		(262,500)			
Proceeds from Sale of Bonds						
Refund of Prior Year Expenditures	69,101	48,474	(20,627)	58		(58)
Advances In	213,114	528,283	315,169	56,272	41,272	(15,000)
Other Financing Sources				507	500	(7)
Operating Transfers Out	(851,715)	(596,850)	254,865	(33,444)		33,444
Advances Out	(591,551)	(191,272)	400,279	(39,283)	(39,283)	
<b>Total Other Financing Sources (Uses)</b>	<b>(484,059)</b>	<b>(211,365)</b>	<b>272,694</b>	<b>(8,001)</b>	<b>6,400</b>	<b>14,401</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>170,424</u>	<u>549,207</u>	<u>378,783</u>	<u>(1,051,229)</u>	<u>52,467</u>	<u>1,103,696</u>
Prior Year Encumbrances Appropriated	470,992	470,992		204,821	204,821	
Fund Balances (Deficit) at Beginning of Year - Restated	<u>4,400,314</u>	<u>4,400,314</u>		<u>1,219,556</u>	<u>1,219,556</u>	
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$5,041,730</b>	<b>\$5,420,513</b>	<b>\$378,783</b>	<b>\$373,148</b>	<b>\$1,476,844</b>	<b>\$1,103,696</b>

The accompanying notes to the general-purpose financial statements are an integral part of this statement.

Debt Service Fund		Governmental Fund Types Capital Projects Funds				Fiduciary Fund Type Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$531,065	\$531,065		\$461,942	\$300,847	(\$161,095)			
59,030	59,030		1,901,263	1,874,207	(27,056)	\$1,184	\$822	(\$362)
			25,836	454,177	428,341			
			255,600	255,600		1,015	5,455	(1,015)
			78,750		(78,750)	5,860		(405)
						4,200		(4,200)
590,095	590,095		2,723,391	2,884,831	161,440	12,259	6,277	(5,982)
			76,857	76,833	24	3,545	2,500	1,045
10,794	10,794		15,218	6,080	9,138	3,605	1,642	1,963
						4,630	1,950	2,680
			4,016,910	2,481,436	1,535,474			
485,660	461,000	24,660						
168,854	131,939	36,915						
665,308	603,733	61,575	4,108,985	2,564,349	1,544,636	11,780	6,092	5,688
(75,213)	(13,638)	61,575	(1,385,594)	320,482	1,706,076	479	185	(294)
657,939	592,939	(65,000)	304,757	262,757	(42,000)			
			20,366,000	16,866,000	(3,500,000)			
				16,865,996	16,865,996			
			190		(190)	170		(170)
			429,450		(429,450)			
	42,703	42,703	17,560		(17,560)			
			(262,757)	(262,757)				
			(389,000)	(389,000)				
657,939	635,642	(22,297)	20,466,200	33,342,996	12,876,796	170		(170)
582,726	622,004	39,278	19,080,606	33,663,478	14,582,872	649	185	(464)
			347,148	347,148		181	181	
			313,208	313,208		24,317	24,317	
\$582,726	\$622,004	\$39,278	\$19,740,962	\$34,323,834	\$14,582,872	\$25,147	\$24,683	(\$464)

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	
<b>Operating Revenues:</b>				
Sales	\$754,784			\$754,784
Interest			\$9,318	9,318
Other Revenue	2,228			2,228
Contributions and Donations			7,829	7,829
	<u>757,012</u>		<u>17,147</u>	<u>774,159</u>
<b>Operating Expenses:</b>				
Salaries	857,526			857,526
Fringe Benefits	258,413			258,413
Purchased Services	126,542			126,542
Materials and Supplies	1,095,681			1,095,681
Depreciation	31,294			31,294
Capital Outlay	25,427			25,427
Other	3,244		3,308	6,552
	<u>2,398,127</u>		<u>3,308</u>	<u>2,401,435</u>
Operating Income (Loss)	<u>(1,641,115)</u>		<u>13,839</u>	<u>(1,627,276)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Federal Donated Commodities	160,866			160,866
Federal and State Subsidies	1,502,851			1,502,851
	<u>1,663,717</u>			<u>1,663,717</u>
Net Income	22,602		13,839	36,441
Retained Earnings/Fund Balance				
(Deficit) at Beginning of Year				
-Restated (See Note 3)	<u>(107,874)</u>	<u>\$469</u>	<u>186,004</u>	<u>78,599</u>
Retained Earnings/Fund Balance				
(Deficit) at End of Year	<u>(\$85,272)</u>	<u>\$469</u>	<u>\$199,843</u>	<u>\$115,040</u>

*The accompanying notes to the general-purpose financial statements are an integral part of this statement.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non Expendable</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$762,444			\$762,444
Cash Payments to Suppliers for Goods and Services	(1,089,387)			(1,089,387)
Cash Payments to Employees for Services	(850,686)			(850,686)
Cash Payments for Employee Benefits	(236,495)			(236,495)
Interest Receipts			\$9,318	9,318
Other Cash Received			7,829	7,829
Other Cash Payments			(3,308)	(3,308)
Net Cash Provided by (Used for) Operating Activities	<u>(1,414,124)</u>		<u>13,839</u>	<u>(1,400,285)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Received	1,502,851			1,502,851
Advances In	205,000			205,000
Advances Out	(155,000)			(155,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,552,851</u>			<u>1,552,851</u>
Net Increase (Decrease) in Cash and Cash Equivalents	138,727		13,839	152,566
Cash and Cash Equivalents at Beginning of Year - Restated	<u>107,981</u>	<u>\$469</u>	<u>186,004</u>	<u>294,454</u>
Cash and Cash Equivalents at End of Year	<u><u>246,708</u></u>	<u><u>469</u></u>	<u><u>199,843</u></u>	<u><u>447,020</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	(1,641,115)		13,839	(1,627,276)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation	31,294			31,294
Donated Commodities Used During Year	160,866			160,866
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	5,432			5,432
(Increase)/Decrease in Inventory Held for Resale	(7,134)			(7,134)
(Increase)/Decrease in Materials and Supply Inventory	3,884			3,884
(Increase)/Decrease in Prepaid Items	50			50
Increase/(Decrease) in Accounts Payable	(7,081)			(7,081)
Increase/(Decrease) in Accrued Wages	5,556			5,556
Increase/(Decrease) in Compensated Absences Payable	7,706			7,706
Increase/(Decrease) in Intergovernmental Payable	26,418			26,418
Total Adjustments	<u>226,991</u>			<u>226,991</u>
Net Cash Provided by Operating Activities	<u><u>(\$1,414,124)</u></u>	<u><u>\$0</u></u>	<u><u>\$13,839</u></u>	<u><u>(\$1,400,285)</u></u>
<b>Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2000</b>				
Total Cash and Cash Equivalents per Balance Sheet, Trust and Agency Funds				274,514
Cash and Cash Equivalents - Expendable Trust Funds and Agency Funds				<u>74,671</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds as of June 30, 2000				<u><u>\$199,843</u></u>

*The accompanying notes to the general-purpose financial statements are an integral part of this statement.*

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Sales	\$853,995	\$760,216	(\$93,779)
Federal and State Subsidies	1,338,392	1,502,851	164,459
Interest			
Contributions and Donations			
Other Revenue	2,626	2,228	(398)
<b>Total Revenues</b>	<u>2,195,013</u>	<u>2,265,295</u>	<u>70,282</u>
<b>Expenses:</b>			
Salaries	851,509	850,686	823
Fringe Benefits	269,067	236,495	32,572
Purchased Services	169,581	146,260	23,321
Material and Supplies	1,046,701	963,597	83,104
Other	3,747	3,244	503
Capital Outlay	41,995	25,427	16,568
<b>Total Expenses</b>	<u>2,382,600</u>	<u>2,225,709</u>	<u>156,891</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	(187,587)	39,586	227,173
<b>Other Financing Sources (Uses):</b>			
Advances In	538,750	205,000	(333,750)
Operating Transfers Out	(235)		235
Advances Out	(155,000)	(155,000)	
<b>Total Other Financing Sources (Uses)</b>	<u>383,515</u>	<u>50,000</u>	<u>(333,515)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	195,928	89,586	(106,342)
Prior Year Encumbrances Appropriated	42,149	42,149	
Fund Balance Beginning of Year	65,832	65,832	
<b>Fund Balance End of Year</b>	<u>\$303,909</u>	<u>\$197,567</u>	<u>(\$106,342)</u>

*The accompanying notes to the general-purpose financial statements are an integral part of this statement*



Proprietary Fund Types Internal Service Funds			Fiduciary Fund Type Non-Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$14,200	\$9,318	(\$4,882)
			7,121	7,829	708
<u>\$11</u>		<u>(\$11)</u>			
<u>11</u>		<u>(11)</u>	<u>21,321</u>	<u>17,147</u>	<u>(4,174)</u>
254		254			
			53,096	3,308	49,788
<u>254</u>		<u>254</u>	<u>53,096</u>	<u>3,308</u>	<u>49,788</u>
(243)		243	(31,775)	13,839	45,614
(243)		243	(31,775)	13,839	45,614
<u>469</u>	<u>\$469</u>		<u>186,004</u>	<u>186,004</u>	
<u>\$226</u>	<u>\$469</u>	<u>\$243</u>	<u>\$154,229</u>	<u>\$199,843</u>	<u>\$45,614</u>

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**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

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

The School District was established in 1856 through the consolidation of existing land areas and school districts. The School District is the 58th largest in the State of Ohio (among 628 school districts) in terms of enrollment. It is staffed by 317 non-certificated employees and 501 certificated full-time teaching personnel who provide services to 5,495 students and other community members. The School District currently operates fourteen instructional/support facilities and one administrative center.

**A. Reporting Entity**

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

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

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

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following entities which perform activities within the 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 dependents on the School District: the City of Lima, the Lima Public Library, the Parent Teacher Association, and the Allen County Educational Service Center.

The School District is associated with three jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the West Central Ohio Special Education Regional Resource Center, the West Central Ohio Regional Professional Development Center, the Allen County Schools Health Benefit Plan, and the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

**1. Governmental Fund Types:**

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

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

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

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

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**2. Proprietary Fund Types:**

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

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

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

**3. Fiduciary Fund Types:**

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

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

**4. Account Groups:**

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

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

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting**

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

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

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not possess any contributed capital. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**C. Budgetary Process**

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

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

**1. Tax Budget:**

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

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**3. Appropriations:**

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

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

**4. Encumbrances:**

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

**5. Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled, except for specific investments made for the General and Capital Project funds. Money from all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Cash and Cash Equivalents" on the combined balance sheet.



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

During fiscal year 2000, investments were limited to certificates of deposit, Federal National Mortgage Association, Federal Home Loan Bank and Treasury Bonds and Notes. Except for nonparticipation investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2000 was \$545,626, which included approximately \$51,868 assigned from other funds.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, not purchased from the pool, are reported as investments.

**E. Inventory**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Reported prepaid items are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by state statute to be set aside to establish a budget stabilization reserve. At June 30, 2000, the School District has \$276,052 in refunds from the Bureau of Workers' Compensation which State statute required to be included in this reserve. Of this amount, \$4,179 was received during fiscal year 2000. See note 17 for the calculation of the year-end restricted assets balance and the corresponding fund balance reserves.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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

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

**I. Intergovernmental Revenues**

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

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

**Entitlements**

**General Fund**

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

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Venture Capital
- Professional Development Block Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title I
- Title VI
- Title VI-B
- Title VI-R

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**Non-Reimbursable Grants (Continued)**

**Special Revenue Funds (Continued)**

- Drug-Free School Grant
- Eisenhower Math and Science
- Adult Basic Education
- Vocational Education
- Goals 2000
- SchoolNet Professional Development
- Equity in Technology
- Mobility in Assistance

**Capital Projects Funds**

- SchoolNet Grant
- Classroom Facilities
- Technology Equity Grant

**Reimbursable Grants**

**General Fund**

- Driver Education

**Enterprise Funds**

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

Grants and entitlements amounted to approximately 76 percent of the School District's governmental operating revenue during the 2000 fiscal year.

**J. Interfund Assets/Liabilities**

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

**K. Compensated Absences**

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

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

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

**L. Accrued Liabilities and Long-Term Obligations**

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

Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds. Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds.

**M. Interfund Transactions**

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

**N. Use of Estimates**

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

**O. Fund Balance Reserves and Designations**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, debt service, budget stabilization and contributions to the nonexpendable trust fund that must be kept intact. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by state statute to protect against cyclical changes in revenue and expenditures. The designation for budget stabilization represents revenue set aside that exceeds statutorily required amounts.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**P. Total Columns on General Purpose Financial Statements**

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

**3. RESTATEMENT OF FUND EQUITY**

The fund equity of the General, Special Revenue, Debt Service, Capital Projects, and Enterprise fund types and General Fixed Assets Account Group have been restated.

The General Fixed Assets Account Group restatement was due to an appraisal of fixed assets, which decreased the equity to \$25,438,168 from the \$38,472,523 previously reported at June 30, 1999.

The restatements had the following effect on the excess of revenues and other financing sources over (under) expenditures and other financing uses/net income as previously reported for the fiscal year ended June 30, 1999.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Excess/Net Income as previously reported	\$2,348,331	(\$2,957)	\$12,500	(\$220,858)	(\$493,603)
Interest allocation error	12,500		(12,500)		
DPIA posting error	(402,717)	402,717			
Removal of Interfund Receivable/Payable	(38,000)	58,000		(35,000)	15,000
Appraisal of fixed assets					23,422
Restated amount for the fiscal year ended June 30, 1999	<u>\$1,920,114</u>	<u>\$457,760</u>	<u>\$ 0</u>	<u>(\$255,858)</u>	<u>(\$455,181)</u>

The restatement had the following effect on fund equity/retained earnings as it was previously reported as of June 30, 1999.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Fund Balances/Retained Earnings as previously reported	\$3,287,617	\$274,080	\$12,500	\$206,556	(\$146,296)
Interest allocation error	12,500		(12,500)		
DPIA posting error	(402,717)	402,717			
Removal of Interfund Receivable/Payable	(38,000)	58,000		(35,000)	15,000
Appraisal of fixed assets					23,422
Restated amount for the fiscal year ended June 30, 1999	<u>\$2,859,400</u>	<u>\$734,797</u>	<u>\$ 0</u>	<u>\$171,556</u>	<u>(\$107,874)</u>

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds had a deficit fund equity balance, which is the result of the application of generally accepted accounting principles.

	<b>Deficit Balance</b>
Athletic Fund	\$ 3,475
Vocational Education	47,904
Title I	82,355
Drug-Free	372
Title VI-B Preschool	1,096
Food Service	129,826
Rotary Fund	74

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed, rather than when accruals occur.

**B. Compliance**

A debt service fund had not been established for a levy, from which the revenue is required to be used to retire the debt for the classroom facilities construction. In addition, a separate fund had not been established for Disadvantaged Pupil Impact Aid.

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses All Governmental Fund Types and Similar Fiduciary Fund</b>					
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>
GAAP basis	\$956,600	\$331,014	\$622,004	\$18,513,921	\$216
Adjustments:					
Revenue accruals	(40,779)	41,271	0	16,834,645	0
Expenditure accruals	264,680	(109,176)	0	(406,759)	(31)
Encumbrances Outstanding (Budget Basis)	(631,294)	(210,641)	0	(1,278,329)	0
Budget basis	<u>\$ 549,207</u>	<u>\$52,468</u>	<u>\$622,004</u>	<u>\$33,663,478</u>	<u>\$185</u>

<b>Net Income/Excess of Revenues and Other Financing Sources Over Expenses and Other Financing Uses All Proprietary Fund Types and Similar Fiduciary Fund</b>			
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Non-Expendable Trust</b>
GAAP basis	\$22,602	\$0	\$13,839
Adjustments:			
Revenue accruals	49,566	0	0
Expense accruals	66,559	0	0
Encumbrances Outstanding (Budget Basis)	(49,141)	0	0
Budget basis	<u>\$ 89,586</u>	<u>\$0</u>	<u>\$13,839</u>

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. 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.

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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



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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**A. Cash on Hand**

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

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

**B. Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$30,776,209, and the bank balance was \$30,887,593. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining amounts were uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<b>Category 2</b>	<b>Fair Value</b>
Federal National Mortgage Association	\$5,914,064	\$5,914,064
Federal Home Loan Bank	1,999,572	1,999,572
Treasury Securities	5,855,840	5,855,840
Total	<b>\$13,769,476</b>	<b>\$13,769,476</b>

**7. PROPERTY TAXES**

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2000 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2000, was \$1,088,725 in the General Fund. The amount available as an advance at June 30, 1999, was \$ \$563,478 in the General Fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<b>1999 Second-Half Collections</b>		<b>2000 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$203,447,700	74.31%	\$204,872,250	74.34%
Public Utility	29,772,400	10.87	29,468,940	10.70
Tangible Personal Property	<u>40,564,225</u>	<u>14.82</u>	<u>41,246,712</u>	<u>14.96</u>
Total Assessed Value	<u>\$273,784,325</u>	<u>100.00%</u>	<u>\$275,587,902</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.23		\$40.23	

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts (rent and student fees), intergovernmental and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

**9. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Fixtures	\$781,406
Less Accumulated Depreciation	<u>(712,734)</u>
Net Book Value	<u>\$ 68,672</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<b>Asset Category</b>	<b>Restated Balance at 6/30/99</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 6/30/00</b>
Buildings	\$17,098,282	\$0	\$0	\$17,098,282
Land and Land Improvements	1,072,305	0	0	1,072,305
Furniture, Fixtures and Equipment	7,000,772	176,198	0	7,176,970
Vehicles	<u>266,809</u>	<u>0</u>	<u>0</u>	<u>266,809</u>
Total	<u>\$25,438,168</u>	<u>\$176,198</u>	<u>\$0</u>	<u>\$25,614,366</u>

**10. 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 2000, the School District contracted with Nationwide Insurance for property and general liability and boiler and machinery insurance. Boiler and machinery coverage has \$500 deductible per object. Professional liability is protected by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 aggregated limit.

Vehicles are covered by Nationwide Insurance Company and are fully covered for comprehensive and \$500 deductible for collisions. Automobile liability has a \$2,000,000 combined single limit of liability.

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

Public officials bond insurance is provided by the Ohio Casualty Insurance Company, for a total of \$80,000.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 20). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually.

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

**C. Health Insurance**

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

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement benefits and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

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

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$275,673, \$379,230, and \$413,954, respectively; 28.92 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$195,959 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement and disability, annual cost of living adjustments and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salary. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,259,660, \$1,167,876, and \$1,969,317, respectively; 86.85 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$165,655 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$1,679,547 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll; an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$518,228 during the 2000 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care at June 30, 1999, was \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**13. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**13. EMPLOYEE BENEFITS (Continued)**

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

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

**B. Augmented Retirement Incentive**

As outlined in the negotiated agreement ending June 30, 2000, an employee can currently retire from STRS using three windows: 1) 30 years and any age, 2) 25 years and age 55, and 3) 5 years at age 60. If an employee chooses to retire in the school year he or she first becomes eligible for service retirement under guidelines established by the State Teachers Retirement System, a bonus equal to thirty percent of his or her final year base salary shall be paid. If an employee chooses to retire when he or she first becomes eligible for service retirement in a second window, a bonus equal to twenty-five percent of his or her final base salary shall be paid. If an employee chooses to retire when he or she first becomes eligible for service retirement in a third window, a bonus of twenty percent of his or her final year base salary will be paid. No Augmented Retirement Incentive will be available to any employee who chooses not to retire during the school year he or she first becomes eligible for STRS service retirement with thirty years of service at any age.

**C. Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Health Benefit Plan disclosed in Note 20. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through the Plan which is administered by CoreSource.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**14. NOTES PAYABLE**

A summary of notes payable for the year ended June 30, 2000 follows:

	<u>Balance 7/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/00</u>
<b><u>General Obligation Notes</u></b>				
School Improvement Note -4.65%	\$0	\$10,000,000	\$0	\$10,000,000
Various Purpose Note - 4.55%	0	6,866,000	0	6,866,000
Total General Obligation Notes	<u>\$0</u>	<u>\$16,866,000</u>	<u>\$0</u>	<u>\$16,866,000</u>

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. The School District has issued bond anticipation notes which will be repaid at maturity with bond proceeds. The note liability is reflected in the fund which received the proceeds. The School Improvement Note matures on August 1, 2000, and the Various Purpose Note matures on July 26, 2000.

**15. LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the School District during fiscal year 2000 were as follows:

	<u>Principal Outstanding 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 6/30/00</u>
<b>General Long-Term Obligations:</b>				
General Obligation Bonds-School Building Construction Interest Rate-Various	\$750,000	\$0	\$235,000	\$515,000
General Obligation Notes-Energy Note	1,619,988	0	201,000	1,418,988
General Obligation Bonds-Academy of Learning	250,000	0	25,000	225,000
General Obligation Bonds-Classroom Facilities-Various Purpose				
Serial and Term Bonds 5-6%	0	6,565,000	0	6,565,000
Capital Appreciation Bonds 10.73%	0	300,997	0	300,997
General Obligation Bonds-Classroom Facilities				
Serial and Term Bonds 4.7-5.5%	0	9,615,000	0	9,615,000
Capital Appreciation Bonds 9.86%	<u>0</u>	<u>384,999</u>	<u>0</u>	<u>384,999</u>
Total General Long-Term Obligations	2,619,988	16,865,996	461,000	19,024,984
Compensated Absences	4,426,320	1,100,500	0	5,526,820
Intergovernmental Payable	<u>257,456</u>	<u>308,448</u>	<u>257,456</u>	<u>308,448</u>
Total Long-Term Obligations	<u>\$7,303,764</u>	<u>\$18,274,944</u>	<u>\$718,456</u>	<u>\$24,860,252</u>



**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

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

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

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

**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 initially paid for a portion of the estimated project costs. Generally, the School District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three period. The total budget for the project is \$104,029,247, of which \$92,663,247 was awarded in school facilities monies and \$11,366,000 is the School District's share of the project. In fiscal year 2000, the School District received \$1,606,135 in school facilities monies.

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.

**General Obligation Bonds** - On June 1, 2000, Lima City School District issued \$6,865,997 in general obligation bonds authorized pursuant to a vote of the electors of the District at an election held November 2, 1999, under the authority of the Ohio Revised Code Chapter 133. The proceeds of the Bonds will be used to pay outstanding bond anticipation notes issued for the following various purposes: the local share of school construction under the State of Ohio Classroom Facilities Construction Program; to acquire a site for Classroom Facilities; and constructing, improving and making additions to school facilities for a school auditorium and acquiring and installing equipment and furnishings therein. The bond issue included serial, term and capital appreciation bonds in the amount of \$2,535,000, \$4,030,000 and \$300,997, respectively. The bonds were issued for a twenty three year period with final maturity during fiscal year 2022. The bonds will be retired with a voted 5.1 mill property tax levy from the debt service fund.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**General Obligation Bonds** - On June 15, 2000, Lima City School District issued \$9,999,999 in general obligation bonds authorized pursuant to a vote of the electors of the School District at an election held on November 2, 1999, under the authority of Ohio Revised Code Chapter 133. The proceeds of the Bonds will be used to pay outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Construction Program. The bond issue included serial, term and capital appreciation bonds in the amount of \$4,580,000, \$5,035,000 and \$384,999, respectively. The bonds were issued for a twenty three year period with final maturity during fiscal year 2022. The bonds will be retired with a voted 5.1 mill property tax levy from the debt service fund.

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2009 through November 30, 2010	102%
December 1, 2010 through November 30, 2011	101
December 1, 2011 and thereafter	100

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

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

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

The capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2010 through 2012. The maturity amount of the bonds is \$915,000. There was no accreted amount for fiscal year 2000.

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

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

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

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

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

The capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$1,560,000. There was no accreted amount for fiscal year 2000.

Compensated absences and the accrued benefits will be paid from the fund from which the employee is paid. Intergovernmental payables are pension obligations that are classified as long-term and will be paid from the fund from which the person is paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

Principal and interest requirements to retire the notes and bonds outstanding at June 30, 2000, are as follows:

<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2001	\$ 1,131,000	\$ 521,946	\$ 1,652,946
2002	1,011,000	918,623	1,929,623
2003	783,000	872,650	1,655,650
2004	950,000	833,789	1,783,789
2005	833,000	787,507	1,620,507
2006-2010	3,600,988	3,378,690	6,979,678
2011-2015	2,280,996	4,439,284	6,720,280
2016-2020	4,825,000	1,884,200	6,709,200
2021-2023	<u>3,610,000</u>	<u>419,750</u>	<u>4,029,750</u>
Total	<u>\$19,024,984</u>	<u>\$14,056,439</u>	<u>\$33,081,423</u>

The School District's overall legal debt margin was \$7,711,915, with an unvoted debt margin of \$50,587, at June 30, 2000.

**LIMA CITY SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**16. INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2000, consist of the following individual fund receivables and payables:

<b>Interfund Receivable/Payable</b>	<b>Receivable</b>	<b>Payable</b>
General	\$208,197	\$ 0
Special Revenue		
Miscellaneous State Grants		3,913
Vocational Education		54,284
Enterprise		
Food Service	_____	<u>150,000</u>
Total	<u>\$208,197</u>	<u>\$208,197</u>

**17. RESERVATIONS OF FUND BALANCE**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u><b>Textbooks</b></u>	<u><b>Capital Acquisition</b></u>	<u><b>Budget Stabilization</b></u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$476,150
Current Year Set-aside Requirement	633,441	633,441	0
Workers' Compensation Refund in FY 2000	0	0	4,179
Current Year Offsets	0	(17,224,568)	0
Qualifying Disbursements	<u>(779,907)</u>	<u>(0)</u>	<u>0</u>
Total	<u>(\$146,466)</u>	<u>(\$16,591,127)</u>	<u>\$480,329</u>

Qualifying expenditures for the textbook reserve exceeded the required set aside by \$146,466 and can be carried forward to future years. The off-set for the capital reserve exceeded the required set aside by \$16,591,127, but can not be carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$480,329.

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Lima City School School District as of and for the fiscal year ended June 30, 2000.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<b>Food Service</b>	<b>Uniform School Supplies</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$ 732,103	\$24,909	\$ 757,012
Operating Expenses			
Less Depreciation	2,329,717	37,116	2,366,833
Depreciation Expense	31,294	0	31,294
Operating Income (Loss)	(1,628,908)	(12,207)	(1,641,115)
Donated Commodities	160,866	0	160,866
Operating Grants	1,502,851	0	1,502,851
Net Income (Loss)	34,809	(12,207)	22,602
Net Working Capital	(145,390)	61,124	(84,266)
Total Assets	346,747	61,621	408,368
Total Equity	(146,396)	61,124	(85,272)
Encumbrances Outstanding at June 30, 2000	\$ 48,143	\$ 998	\$ 49,141

**19. JOINTLY GOVERNED ORGANIZATIONS**

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

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

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

**West Central Ohio Regional Professional Development Center (Center)** - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

**20. GROUP PURCHASING POOLS**

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

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

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

**21. SCHOOL FUNDING**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$22,654,989 of school foundation support for its general fund.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**21. SCHOOL FUNDING (Continued)**

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$1,606,135 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**22. CONTRACTUAL COMMITMENT**

On January 13, 2000, the School District entered into a contract with Fanning/Howey Associates, Inc., in the amount of \$6,034,072, for professional design services relating to a classroom facilities building project.

**23. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

<b>Federal Grantor/ Pass-Through Grantor/ Program Titles</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. Department of Education (Passed Through Ohio Department of Education)</b>						
Special Education Cluster:						
Title VIB	84.027	PG-S1 00P PG-S1 99P	\$439,615 138,999	\$	\$336,366 131,470	\$
Total Title VIB			578,614		467,836	
Title VIB Preschool	84.173	PG-S1-00P PG-S1-99P	36,217 13,174		32,133 11,046	
Total Title VIB PreSchool			49,391		43,179	
Total Special Education Cluster			628,005		511,015	
Title I	84.010	C1-S1-00 C1-S1-99C C1-S1-99	1,899,833 38,672 138,667		1,685,049 38,672 414,324	
Total Title I			2,077,172		2,138,045	
Title VI	84.298	C2-S1-00 C2-S1-99C C2-S1-99	39,516 6,940 (200)		26,969 3,828 6,416	
Total Title VI			46,256		37,213	
Adult Basic Education	84.002	AB-S1-00 AB-S1-99C AB-S1 99	30,085 18,095 34,981		30,085 18,095 11,626	
Total Adult Basic Education			83,161		59,806	
Vocational Education - Basic Grants to States						
Vocational - Perkins	84.048	CPII-S00-002 CPII-S99-002	165,156 26,667		186,643	
Vocational - NETWork		VESE-NET00 VESE-NET99	17,000 1,015		19,667 980	
Vocational - Childcare		VESP -CG-99	2,376		528	
Total Vocational Education			212,214		207,818	
Drug Free Schools	84.186	DR-S1-00 DR-S1-99C DR-S1-99 DR-S1-98SP DR-S1-98	35,753 10,252 11,021  2,429 3,931		35,753 10,252 4,841  2,429 3,931	
Total Drug Free Schools			57,026		57,206	
Eisenhower Math and Science	84.281 84.281 84.281	MS-S1 00 MS-S1 99C MS-S1 99	38,949 15,288 (15,288)		38,949 2,000 24,708	
Total Eisenhower Math and Science			38,949		65,657	
Goals 2000 Performance Incentive Discretionary Administrator	84.276	G2-S1-2000	58,905 7,200		58,905 7,200	
Total Goals 2000			66,105		66,105	
Technical Literacy Challenge	84.318	TF-S1-01 TF-S1-00 TF-S1-99	25,000 37,500  1,982		37,500  1,982	
Total Technical Literacy Challenge			62,500		39,482	
Comprehensive School Reform	84.332	RF-S1-00 RF-S1-99 CRSD-99	62,500 75,000 50,000		73,251 50,000	
Total Comprehensive School Reform			187,500		123,251	
Title VI-R	84.340	CR-SI-00	228,363		228,358	
<b>(Passed Through Lima Technical College)</b> Vocational Tech Prep	84.243	TP-99	10,512		16,721	
<b>Total U.S. Department of Education</b>			3,697,763		3,550,677	



LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(CONTINUED)

Federal Grantor/ Pass-Through Grantor/ Program Titles	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Labor</b>						
<b>(Passed Through Ohio Department of Education)</b>						
School To Work	17.249	VESE-STW00	34,034		31,510	
<b>Total U.S. Department of Labor</b>			<u>34,034</u>		<u>31,510</u>	
<b>U.S. Department of Health and Human Services</b>						
<b>(Passed Through Ohio Department of Mental )</b>						
<b>Retardation and Developmental Disabilities)</b>						
Title XIX - CAFs	93.778	n/a	182,044		182,044	
<b>(Passed Through Ohio Hunger Task Force)</b>						
Childcare and Development Block Grant	93.575		16,101		45,895	
<b>Total U.S. Department of Health and Human Svcs</b>			<u>198,145</u>	0	<u>227,939</u>	0
<b>U.S. Department of Agriculture</b>						
<b>(Passed Through Ohio Department of Education)</b>						
Nutrition Cluster:						
Food Distribution	10.550			169,492		160,866
School Breakfast Program	10.553	05-PU-00	230,762		230,762	
National School Lunch Program	10.555	04-PU-00	1,132,530		1,132,530	
Summer School Lunch Program	10.559	24-AD-00	36,229		36,229	
<b>Total U.S. Department of Agriculture</b>			<u>1,399,521</u>	<u>169,492</u>	<u>1,399,521</u>	<u>160,866</u>
<b>Total Federal Financial Assistance</b>			<u>\$5,329,463</u>	<u>\$169,492</u>	<u>\$5,209,647</u>	<u>\$160,866</u>

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

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported on the schedule at the fair value of the commodities received and consumed. Cash receipts from the United State Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Lima City School District, Allen County, (the School District) as of and for the year ended June 30, 2000, and have issued our report thereon dated March 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10202-001 and 2000-10202-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 9, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-20202-003.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, for the reportable condition described above, we consider this item to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 9, 2001.

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

**Jim Petro**  
Auditor of State

March 9, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Lima City School District, Allen County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School District in a separate letter dated March 9, 2001.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

March 9, 2001

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2000  
OMB CIRCULAR A -133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	-Title I, CFDA 84.010 -Title VI-R, CFDA 84.340 -Special Education Cluster CFDA 84.027 & 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2000  
OMB CIRCULAR A -133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2000-10202-001</b>	<b>Noncompliance</b>
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**Establishment of Debt Service Fund**

Ohio Rev. Code Section 5705.09, determines which funds must be established by a subdivision.

The School District did not establish a debt service fund to retire debt issued for School Building Construction, Site Acquisition, and Auditorium, for which a tax had been levied. Taxes and homestead and rollback monies had been posted to the Capital Project funds, which resulted in an overstated Capital Projects fund balance.

The School District should establish a separate debt service fund to account for the tax receipts which are required to be used to retire the debt.

The financial statements have been adjusted for these amounts.

<b>Finding Number</b>	<b>2000-10202-002</b>	<b>Noncompliance</b>
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**Disadvantaged Pupil Impact Aid**

Ohio Rev. Code Section 5705.09(F), states that each subdivision shall establish a special fund for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In addition, Ohio Rev. Code Section 117.43(A) allows the Auditor of State to prescribe by rule, a uniform accounting system for accounting and financial reporting for public offices. The Auditor of State prescribes by rule through the Ohio Administrative Code.

Ohio Admin. Code Section 117-2-03 states a "fund" is an independent fiscal and accounting entity with its own assets, liabilities, resources, and fund balance which is segregated for the purpose of carrying on specific activities and shall employ a specified set of funds and fund numbers (codes) which identifies fund number 447 as the Disadvantaged Pupil Impact Aid Fund, which is used to account for monies received for disadvantaged pupil impact aid.

The School District received \$2,101,892 through its school foundation settlements for Disadvantaged Pupil Impact Aid which was improperly posted to the General Fund. This resulted in materially incorrect fund balances for the General and Special Revenue Fund types.

The financial statements have been adjusted to properly present these revenues and the corresponding expenditures. The District has currently corrected this error on their records.



LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2000  
OMB CIRCULAR A -133 § .505  
(Continued)

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

Finding Number	2000-10202-003	Material Weakness
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**Bank to Book Reconciliation**

The bank to book reconciliation of the general bank and investment accounts revealed a \$5,000,000 fund balance overstatement. This error resulted in a 10 percent overstatement of total fund balances of the School District at June 30, 2000. In addition, the School District had been using a fixed amount for investments for reconciling purposes, rather than changing with the investment activity and using actual costs. Investment earnings, including gains or losses, had not been credited to the books, resulting in an approximate understatement of \$241,500 of investments and book balances.

The above noted problems indicate that accurate bank to book reconciliations were not being performed because the investments amounts used were not the actual amounts in the investment accounts. Had the reconciliations been performed correctly, the above errors would have been discovered. This weakness not only results in inaccurate financial statement information, but does not give the Board an accurate financial position on which to rely to make important financial decisions.

To provide for a supported, accurate reconciliation of the books to the bank, and to provided accurate financial information to be utilized by the Board in its decision making, an accurate bank to book reconciliation should be prepared using the actual account balances of all bank and investment accounts.

The accompanying financial statements have been adjusted to correct these misstatements. The School District has currently corrected these errors on their books.

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

None

**LIMA CITY SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 1999  
OMB CIRCULAR A -133 § .315 (b)**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
1999 10202-001	Ohio Rev. Code 5705.36	Yes	
1999-10202-002	Ohio Rev. Code 5705.41(B)	No	Materially corrected, reissued in management letter.
1999-10202-003	Fixed Assets	No	Materially corrected, modified and reissued in management letter.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**LIMA CITY SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2001**