

LIMA CITY SCHOOL DISTRICT

Allen County, Ohio

Single Audit

July 1, 2004 through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER, CPAS, INC.
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**Auditor of State
Betty Montgomery**

Board of Education
Lima City School District
515 S. Calumet
Lima, Ohio 45804

We have reviewed the *Independent Auditor's Report* of the Lima City School District, Allen County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lima City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 25, 2006

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**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	Page
Independent Auditor’s Report	1
Management’s Discussion & Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	8
Statement of Activities – Cash Basis	9
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds.....	10
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds	11
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund	12
Statement of Fiduciary Net Assets – Cash Basis	13
Notes to the Basic Financial Statements	14
Schedule of Federal Awards Receipts and Expenditures	36
Notes to the Schedule of Federal Awards Receipts and Expenditures	37
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	40
Schedule of Findings	42
Schedule of Prior Audit Findings	44

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Lima City School District, Allen County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in cash basis financial position and the respective budgetary position of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As more fully described in Note 3, for the year ended June 30, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as it applies to the cash basis of accounting. The District also implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Balestra, Harr & Scherer, CPAs, Inc.
December 31, 2005

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the financial performance of the Lima City School District for the year ended June 30, 2005. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the District's basic financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not available. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2005 are as follows:

Overall:

- For governmental activities, net assets decreased \$10.0 million, which represents a 50 percent decrease from 2004.
- General receipts accounted for \$34.3 million in receipts or 57 percent of all governmental receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$26.2 million or 43 percent of total governmental receipts of \$60.5 million.
- The District had \$70.5 million in disbursements related to governmental activities; only \$26.2 million of these disbursements were offset by program specific charges for services and sales, grants and contributions. General receipts (primarily taxes) of \$34.3 million were not adequate to provide for these programs, resulting in a decrease in net assets of \$10.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide statements are designed to provide readers with a broad overview of the District's finances. The statement of cash balances presents information on all of the District's cash and investments by activity and by fund type. The statement of receipts, disbursements and changes in cash balances presents information showing how the government's cash balances changed during the most recent fiscal year.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by intergovernmental and taxes revenues. All of the District programs and services are reported here including instruction, support services, administration, operation and maintenance of plant, and extracurricular activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

LIMA CITY SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2005
Unaudited

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements and both are presented on the cash basis of accounting.

The District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds - unlike the government-wide financial statements, which report on the District as a whole. The General, Permanent Improvement and Building Construction Project Funds are the District's major funds. Some funds are required to be established by State law. Also, the District may establish separate funds to show that it is meeting legal requirements for using grants or other money.

Notes to the basic financial statements. The notes provide additional information related to the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Cash Balances at year-end

The District's cash balances at June 30, 2005 were as follows:

Governmental Activities	\$10,109,527
Fiduciary Activities	51,777

The governmental activities cash balances may be used to meet the government's ongoing obligations to citizens and creditors. The fiduciary activities cash balances are only to be used for student managed activities.

B. Change in Net Assets

The following table presents a condensed summary of the District's fiscal year 2005 and the resulting change in net assets. Since the District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

	<u>Governmental</u> <u>Activities</u>
RECEIPTS	
Program Receipts:	
Charges for Services and Sales	\$ 2,039,390
Operating Grants and Contributions	15,325,894
Capital Grants and Contributions	8,799,971
Total Program Receipts	<u>26,165,255</u>
General Receipts:	
Property Taxes	9,194,125
Grants and Entitlements	24,682,332
Miscellaneous	154,106
Investment Earnings	233,809
Rent	18,847
Proceeds from Sale of Capital Assets	40,121
Total General Receipts	<u>34,323,340</u>
Total Receipts	<u>60,488,595</u>

LIMA CITY SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2005
Unaudited

C. Change in Net Assets (Continued)

DISBURSEMENTS

Instruction:	
Regular	17,184,142
Special	5,614,283
Vocational	1,851,670
Adult/Continuing	214,499
Other	4,302,065
Support Services:	
Pupils	3,397,975
Instructional Staff	2,330,803
Board of Education	184,182
Administration	4,393,212
Fiscal	844,614
Business	282,017
Operation and Maintenance of Plant	4,970,433
Pupil Transportation	562,890
Central	1,804,486
Operation of Non-Instructional Services	3,683,434
Extracurricular Activities	632,985
Capital Outlay	16,570,483
Debt Service:	
Principal	675,000
Interest and Fiscal Charges	1,026,614
Total Program Expenses	<u>70,525,787</u>
Decrease in Net Assets	<u>(\$10,037,192)</u>
Net Assets Beginning of Year	<u>20,146,719</u>
Net Assets End of Year	<u>\$10,109,521</u>

Of the total governmental activities receipts of \$60,488,595, \$26,165,255 (43.3%) is from program receipts. This means that the government relies on general receipts to fund the majority of the cost of services provided to the citizens. Of those general receipts, 26.8% (\$9,194,125) comes from property tax levies and 71.9% (\$24,682,332) is from state and federal funding. The District's operations are reliant upon its property tax levy and the state's foundation program. This is the first year to report all activities using these classifications. However, in future years, this section will explain the differences between the current and prior receipts and disbursements.

**LIMA CITY SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2005
Unaudited**

C. Governmental Activities

The following table presents the total disbursements of each of the government's primary services, and the comparative net after deducting the receipts generated by each function. Approximately 25.8% of the disbursements of the general government programs were recouped in program receipts. Instruction costs were \$29,166,659 but program receipts contributed to fund 30.8% of those costs. Thus, general revenues of \$20,182,919 were used to support the remainder of the instruction costs.

	<u>Total Cost Of Services</u>	<u>Net Cost of Services</u>
Instruction:		
Regular	17,184,142	13,656,595
Special	5,614,283	1,190,146
Vocational	1,851,670	1,035,935
Adult/Continuing	214,499	137,491
Other	4,302,065	4,162,752
Support Services:		
Pupils	3,397,975	1,745,334
Instructional Staff	2,330,803	734,037
Board of Education	184,182	178,213
Administration	4,393,212	3,788,557
Fiscal	844,614	729,064
Business	282,017	237,444
Operation and Maintenance of Plant	4,970,433	4,740,023
Pupil Transportation	562,890	(9,679)
Central	1,804,486	1,278,318
Operation of Non-Instructional Services	3,683,434	68,503
Extracurricular Activities	632,985	380,639
Capital Outlay	16,570,483	8,605,546
Debt Service:		
Principal	675,000	675,000
Interest and Fiscal Charges	1,026,614	1,026,614
Total Program Expenses	\$70,525,787	\$44,360,532

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

Governmental Funds

The District has three major governmental funds: the General, Permanent Improvement and Building Construction Project Funds. Receipts of these funds comprise \$45,558,300 (75.4%) of the total \$60,448,474 governmental funds receipts.

General Fund. Fund cash balance at June 30, 2005 was \$1,363,487, which was \$430,467 less than the cash balance at June 30, 2004. The change in the General Fund cash balance is due to an increased number of community school students over projections which resulted in less receipts for the District.

**LIMA CITY SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2005
Unaudited**

Permanent Improvement Fund

Fund cash balance at June 30, 2005 was \$1,133,331, which was \$4,061 less than the cash balance at June 30, 2004.

Building Construction Project Fund

Fund cash balance at June 30, 2005 was \$3,154,764, which was \$9,265,719 less than the cash balance at June 30, 2004. The change in the Building Construction Fund cash balance is due to the progression of the District building project. As of June 30, 2005 all buildings were occupied and in the close out phase of the project.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the District's General Fund original and final budgets and actual results are included on Page 12. The original budget for a fiscal year is prepared in June each year when the Board adopts temporary appropriations to start the fiscal year that starts July 1. The final budget is adopted and approved by the Board at its June Board meeting each year to close out the year. Each month, when the Board adopts the month end financial reports, it also adopts amended appropriations for activity as needed. The Board also adopts (at least twice a year) a five-year forecast for the current year and the proceeding four years; this document is the working copy of the District's budget for the general fund and emergency levy fund. The District did approve the final forecast in April, 2005. There were no material variances requiring explanation.

CAPITAL ASSET AND DEBT ADMINISTRATION

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

Debt. The District did not issue any debt during the year ended June 30, 2005. However, the District paid principal of \$675,000 on four bond issues. The District does not record debt balances outstanding on the financial statements. See Note 9 to the financial statements for additional information regarding debt.

CURRENT ISSUES AFFECTING FINANCIAL CONDITIONS

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the District. Management must plan expenses accordingly, staying within the District's five-year plan.

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

The Supreme Court relinquished jurisdiction over the case and directed " the Ohio General assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any the decision will have on its future State funding and on its financial operations.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ryan S. Stechschulte, Treasurer at Lima City School District, 515 S. Calumet Avenue, Lima, Ohio 45804.

**Lima City School District
Allen County**

*Statement of Net Assets - Cash Basis
June 30, 2005*

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 10,109,527
<i>Total Assets</i>	<u>10,109,527</u>
NET ASSETS:	
Restricted for Debt Service	667,633
Restricted for Capital Outlay	5,104,514
Restricted for Other Purposes	2,924,701
Restricted for Permanent Fund:	
Expendable	13,135
Nonexpendable	36,057
Unrestricted	<u>1,363,487</u>
<i>Total Net Assets</i>	<u>\$ 10,109,527</u>

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

**Lima City School District
Allen County**

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2005*

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 17,184,142	\$ 448,997	\$ 3,078,550	\$ -	\$ (13,656,595)
Special	5,614,283	108,752	4,315,385	-	(1,190,146)
Vocational	1,851,670	86,816	728,919	-	(1,035,935)
Adult/Continuing	214,499	5,014	71,994	-	(137,491)
Other	4,302,065	139,313	-	-	(4,162,752)
Support Services:					
Pupils	3,397,975	59,091	1,593,550	-	(1,745,334)
Instructional Staff	2,330,803	24,114	1,572,652	-	(734,037)
Board of Education	184,182	5,969	-	-	(178,213)
Administration	4,393,212	125,465	479,190	-	(3,788,557)
Fiscal	844,614	21,368	89,782	4,400	(729,064)
Business	282,017	34,231	10,342	-	(237,444)
Operation and Maintenance of Plant	4,970,433	146,689	130	83,591	(4,740,023)
Pupil Transportation	562,890	18,265	554,304	-	9,679
Central	1,804,486	19,936	39,000	467,232	(1,278,318)
Operation of Non-Instructional Services	3,683,434	543,024	2,792,096	279,811	(68,503)
Extracurricular Activities	632,985	252,346	-	-	(380,639)
Capital Outlay	16,570,483	-	-	7,964,937	(8,605,546)
Debt Service:					
Principal	675,000	-	-	-	(675,000)
Interest and Fiscal Charges	1,026,614	-	-	-	(1,026,614)
Total Governmental Activities	70,525,787	2,039,390	15,325,894	8,799,971	(44,360,532)
General Receipts:					
Grants and Entitlements not Restricted to Specific Programs					24,682,332
Investment Earnings					233,809
Miscellaneous					154,106
Property Taxes Levied For:					
General Purposes					7,442,244
Debt Service					1,629,844
Classroom Facilities Maintenance					122,037
Rent					18,847
Proceeds from Sale of Assets					40,121
Total General Receipts					34,323,340
Change in Net Assets					(10,037,192)
Net Assets Beginning of Year - As Restated					20,146,719
Net Assets End of Year					\$ 10,109,527

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

**Lima City School District
Allen County**

*Statement of Assets and Fund Balances -
Cash Basis - Governmental Funds
June 30, 2005*

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Construction Project Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,363,487	\$ 1,133,331	\$ 3,154,764	\$ 4,457,945	\$ 10,109,527
<i>Total Assets</i>	<u>\$ 1,363,487</u>	<u>\$ 1,133,331</u>	<u>\$ 3,154,764</u>	<u>\$ 4,457,945</u>	<u>\$ 10,109,527</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	304,520	14,364	3,258,498	554,916	4,132,298
Reserved for Endowment	-	-	-	36,057	36,057
Unreserved, Undesignated, Reported in:					
General Fund	1,058,967	-	-	-	1,058,967
Special Revenue Funds	-	-	-	2,924,701	2,924,701
Debt Service Funds	-	-	-	667,633	667,633
Capital Projects Funds	-	1,118,967	(103,734)	261,503	1,276,736
Permanent Funds	-	-	-	13,135	13,135
<i>Total Fund Balances</i>	<u>\$ 1,363,487</u>	<u>\$ 1,133,331</u>	<u>\$ 3,154,764</u>	<u>\$ 4,457,945</u>	<u>\$ 10,109,527</u>

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

**Lima City School District
Allen County**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2005*

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Construction Project Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:					
Property Taxes	\$ 7,442,244	\$ -	\$ -	\$ 1,751,881	\$ 9,194,125
Intergovernmental	27,729,615	-	8,799,090	11,917,604	48,446,309
Interest	140,078	13,729	73,927	6,075	233,809
Tuition and Fees	1,017,000	-	-	37,855	1,054,855
Rent	18,847	-	-	-	18,847
Extracurricular Activities	-	-	-	264,744	264,744
Gifts and Donations	-	-	-	361,888	361,888
Customer Sales and Services	176,767	-	-	543,024	719,791
Miscellaneous	87,642	-	59,361	7,103	154,106
<i>Total Cash Receipts</i>	<u>36,612,193</u>	<u>13,729</u>	<u>8,932,378</u>	<u>14,890,174</u>	<u>60,448,474</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	13,673,865	-	-	3,510,277	17,184,142
Special	3,357,164	-	-	2,257,119	5,614,283
Vocational	1,698,364	-	-	153,306	1,851,670
Adult/Continuing	153,788	-	-	60,711	214,499
Other	4,302,065	-	-	-	4,302,065
Support Services:					
Pupils	1,824,540	-	-	1,573,435	3,397,975
Instructional Staff	743,053	-	-	1,587,750	2,330,803
Board of Education	184,182	-	-	-	184,182
Administration	3,872,626	-	-	520,586	4,393,212
Fiscal	661,118	-	11,899	171,597	844,614
Business	238,441	-	-	43,576	282,017
Operation and Maintenance of Plant	4,517,544	10,661	166,873	275,355	4,970,433
Pupil Transportation	562,336	-	-	554	562,890
Central	613,898	-	931,093	259,495	1,804,486
Operation of Non-Instructional Services					
Extracurricular Activities	446,378	-	-	186,607	632,985
Capital Outlay	4,787	7,129	16,530,882	27,685	16,570,483
Debt Service:					
Principal	-	-	-	675,000	675,000
Interest	-	-	-	1,026,614	1,026,614
<i>Total Cash Disbursements</i>	<u>36,854,149</u>	<u>17,790</u>	<u>18,198,097</u>	<u>15,455,751</u>	<u>70,525,787</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(241,956)</u>	<u>(4,061)</u>	<u>(9,265,719)</u>	<u>(565,577)</u>	<u>(10,077,313)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	-	228,632	228,632
Proceeds from Sale of Assets	40,121	-	-	-	40,121
Transfers Out	(228,632)	-	-	-	(228,632)
<i>Total Other Financing Sources and Uses</i>	<u>(188,511)</u>	<u>-</u>	<u>-</u>	<u>228,632</u>	<u>40,121</u>
<i>Net Change in Fund Balances</i>	<u>(430,467)</u>	<u>(4,061)</u>	<u>(9,265,719)</u>	<u>(336,945)</u>	<u>(10,037,192)</u>
<i>Fund Balances at Beginning of Year - As Restated</i>	<u>1,793,954</u>	<u>1,137,392</u>	<u>12,420,483</u>	<u>4,794,890</u>	<u>20,146,719</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,363,487</u>	<u>\$ 1,133,331</u>	<u>\$ 3,154,764</u>	<u>\$ 4,457,945</u>	<u>\$ 10,109,527</u>

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

**Lima City School District
Allen County**

*Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
RECEIPTS:				
Property Taxes	\$ 8,010,151	\$ 7,620,236	\$ 7,442,244	\$ (177,992)
Intergovernmental	29,845,623	27,873,774	27,729,615	(144,159)
Interest	150,767	80,000	140,078	60,078
Tuition and Fees	1,094,606	814,800	1,017,000	202,200
Rent	20,285	10,000	18,847	8,847
Customer Sales and Services	190,256	170,300	176,767	6,467
Miscellaneous	43,129	30,000	40,071	10,071
Total Receipts	<u>39,354,817</u>	<u>36,599,110</u>	<u>36,564,622</u>	<u>(34,488)</u>
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	14,145,609	13,764,747	13,732,368	32,379
Special	3,463,251	3,383,377	3,362,078	21,299
Vocational	1,784,478	1,756,373	1,732,347	24,026
Adult/Continuing	159,071	155,084	154,424	660
Other	4,453,649	4,363,575	4,323,543	40,032
Support Services:				
Pupils	1,886,277	1,848,221	1,831,173	17,048
Instructional Staff	783,759	771,848	760,863	10,985
Board of Education	190,973	200,769	185,394	15,375
Administration	4,054,661	4,024,486	3,936,211	88,275
Fiscal	689,826	715,466	669,674	45,792
Business	247,264	242,016	240,041	1,975
Operation and Maintenance of Plant	4,729,564	4,781,378	4,591,398	189,980
Pupil Transportation	587,025	581,744	569,876	11,868
Central	636,698	619,748	618,098	1,650
Extracurricular Activities	459,809	448,527	446,376	2,151
Other	-	24,951	-	24,951
Capital Outlay:				
Other Facilities Acquisition and Construction	4,931	7,664	4,787	2,877
Total Disbursements	<u>38,276,845</u>	<u>37,689,974</u>	<u>37,158,651</u>	<u>531,323</u>
Excess of Receipts Over (Under) Disbursements	<u>1,077,972</u>	<u>(1,090,864)</u>	<u>(594,029)</u>	<u>496,835</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Assets	43,183	8,000	40,121	32,121
Refund of Prior Year Disbursements	51,201	40,000	47,571	7,571
Transfers Out	(235,512)	(228,632)	(228,632)	-
Total Other Financing Sources and Uses	<u>(141,128)</u>	<u>(180,632)</u>	<u>(140,940)</u>	<u>39,692</u>
Net Change in Fund Balance	936,844	(1,271,496)	(734,969)	536,527
Fund Balance at Beginning of Year	1,069,530	1,069,530	1,069,530	-
Prior Year Encumbrances Appropriated	724,424	724,424	724,424	-
Fund Balance at End of Year	<u>\$ 2,730,798</u>	<u>\$ 522,458</u>	<u>\$ 1,058,985</u>	<u>\$ 536,527</u>

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

**Lima City School District
Allen County**

*Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
June 30, 2005*

	Agency Fund
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>51,777</u>
<i>Total Assets</i>	<u>51,777</u>
NET ASSETS:	<u><u>\$ 51,777</u></u>

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established in 1856 through the consolidation of existing land areas and school districts. The District is the 58th largest in the State of Ohio (among 628 school districts) in terms of enrollment. It is staffed by 227 non-certificated employees and 472 certificated full-time teaching personnel who provide services to 5,063 students and other community members. The District currently operates fourteen instructional/support facilities and one administrative center.

Reporting Entity

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

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

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

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

The District is associated with four jointly governed organizations, two group purchasing pools and a related organization. These organizations include the Northwest Ohio Area Computer Services Cooperative, the West Central Ohio Special Education Regional Resource Center, the West Central Ohio Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the Allen County Schools Health Benefit Plan, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Lima Public Library. These organizations are presented in Notes 14, 15 and 16 to the financial statements.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

B. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General, Permanent Improvement and Building Construction Project Funds.

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Building Construction Project Fund - The Building Construction Project Fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds:

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

D. Budgetary Process

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

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2005, investments were limited to repurchase agreements, Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Association, money market mutual funds and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$140,078.

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

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

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

H. Long-Term Liabilities

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Activity

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the School District's financial statements. In fiscal year 2005, the School District elected to continue presenting its annual financial report on a cash basis; however, the School District presented the cash basis financial statements in a GASB 34-like format. As a result, the other governmental funds had an increase in fund balances as a result of reclassifying its enterprise fund as a special revenue fund and its nonexpendable trust fund as a permanent fund. The District also reclassified a contract retainage escrow fund as a capital projects fund within all other governmental funds and a minor reclassification between the General Fund and Other Governmental Funds. The results of these reclassifications are presented below:

	General	Permanent Improvement	Building Construction Project	All Other Governmental Funds	Total
Restatement of Governmental Activity:					
Fund Balances - June 30, 2004	\$ 1,794,423	\$ 1,137,392	\$12,420,483	\$ 3,638,282	\$ 18,990,580
Reclassification of Other Funds	(469)	-	-	469	-
Reclassification of Agency Fund	-	-	-	844,057	844,057
Reclassification of Enterprise Fund	-	-	-	262,861	262,861
Reclassification of Nonexpendable Trust Fund as Permanent Fund	-	-	-	49,221	49,221
Adjusted Fund Balances - July 1, 2004	\$ 1,793,954	\$ 1,137,392	\$12,420,483	\$ 4,794,890	\$ 20,146,719
Restatement of Business-Type Activity:					
				Enterprise	Nonexpendable Trust
Fund Balances - June 30, 2004					
Reclassification of Enterprise Fund				262,861	49,221
Reclassification of Nonexpendable Trust Fund as Permanent Fund				(262,861)	(49,221)
Adjusted Net Assets - July 1, 2004				\$ -	\$ -

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

- a. United States treasury notes, bills, bonds, or other obligations or security issued by the United States or any other obligation guaranteed as to the payment of principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Mortgage Association. All federal securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
- e. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- f. No load money market mutual funds consisting exclusively of obligations described in division (a) or (b) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- g. The State Treasurer's investment pool (STAR Ohio);
- h. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (a) or (b), or cash, or both securities and cash, equal value for equal value;
- i. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
- j. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$2,506,186, and the bank balance was \$3,449,013. Of the bank balance, \$400,000 was covered by federal depository insurance and \$3,049,013 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law required that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS (Continued)

C. Investments

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

Description	Market Value	Investment Maturities (in years)		Credit Rating
		Less than 1	1-5	
June 30, 2005:				
Repurchase Agreements	\$ 1,431,262	\$ 1,431,262	\$ -	AAA
Federal National Mortgage Assoc.	345,923	-	345,923	AAA
Federal Home Loan Bank	391,937	-	391,937	AAA
Federal Home Loan Mortgage Corp	693,294	-	693,294	AAA
US Treasury Money Market Funds	1,542,204	1,542,204	-	AAA
STAR Ohio	3,235,629	3,235,629	-	AAAm
Total Investments	<u>\$ 7,640,249</u>	<u>\$ 6,209,095</u>	<u>\$ 1,431,154</u>	

The District uses the cash basis of accounting and records all investments at cost rather than at market value. This is the reason for the differences between investments in the above schedule and the reconciliation.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the District manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to five years.

Credit Risk –The District limits their investments to Repurchase Agreements, Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corp, Money Market Mutual Funds and STAR Ohio.

Concentration of Credit Risk – The District’s investment policy allows investments in Repurchase Agreements, US Government Securities and Instrumentalities, Money Market Mutual Funds and STAR Ohio and allowable investments as defined by Ohio Revised Code Sections 133 and 135. The District has invested 19% of its investments in Repurchase Agreements, 5% in Federal National Mortgage Association, 5% in Federal Home Loan Bank, 9% in Federal Home Loan Mortgage Corp., 20% in US Treasury Money Market Funds, and 42% in Star Ohio.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District, other than the District’s repurchase agreements which are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the financial statements is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 40 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$10,161,304	\$ 0
Cash on Hand	(200)	
Investments:		
Repurchase Agreements	(1,431,262)	1,431,262
Federal National Mortgage Association	(348,797)	348,797
Federal Home Loan Bank	(394,092)	394,092
Federal Home Loan Mortgage Association	(702,934)	702,934
Money Market Mutual Funds	(1,542,204)	1,542,204
STAR Ohio	<u>(3,235,629)</u>	<u>3,235,629</u>
GASB Statement No. 40	<u>\$ 2,506,186</u>	<u>\$7,654,918</u>

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal property (used in business) located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for calendar year 2005 are levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

5. PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$266,957,440	82.82%	\$266,331,870	81.82%
Public Utility	16,818,680	5.22%	20,902,630	6.42%
Tangible Personal	<u>38,540,125</u>	<u>11.96%</u>	<u>38,277,190</u>	<u>11.76%</u>
Total Assessed Value	<u>\$322,316,245</u>	<u>100.00%</u>	<u>\$325,511,690</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.36		\$44.36	

6. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District contracted with Indiana Insurance for property and general liability, boiler and machinery insurance and builders risk insurance. Boiler and machinery and builders risk insurance coverage has a \$25,000 and \$5,000 deductible per occurrence, respectively. Professional liability is protected by Indiana Insurance Company with \$1,000,000 each occurrence, \$5,000,000 aggregated limit.

Vehicles are covered by Indiana Insurance Company and are fully covered for comprehensive and \$1,000 deductible for collisions. Automobile liability has a \$2,000,000 combined single limit of liability.

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

Public officials bond insurance is provided by The Cincinnati Insurance Company, for a total of \$100,000.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

6. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

C. Health Insurance

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$662,405, \$549,646, and \$523,393; 51.4 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$2,896,088, \$2,886,676, and \$3,001,583; 87.0 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate State Retirement System. As of June 30, 2005, one member of the Board of Education has elected Social Security. The District's liability is 6.2 percent of wages paid.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

8. POST RETIREMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their 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. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$222,776 for fiscal year 2005.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the District paid \$310,276 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (latest information available) were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

9. OTHER EMPLOYEE BENEFITS

Compensated Absences

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

10. LONG-TERM DEBT OBLIGATIONS

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. However, information regarding such changes in the District's general long-term obligations (excluding capital leases and compensated absences) during 2005 is as follows:

General Long-Term Obligations:	Principal Outstanding 6/30/04	Additions	Deletions	Principal Outstanding 6/30/05
General Obligation Bonds - 2000				
Classroom Facilities-Variou Purpose -				
Serial and Term Bonds 5-6%	5,580,000	0	225,000	5,355,000
Capital Appreciation Bonds 10.73%	441,958	45,237	0	487,195
General Obligation Bonds - 2000				
Classroom Facilities				
Serial and Term Bonds 4.7-5.5%	8,375,000	0	350,000	8,025,000
Capital Appreciation Bonds 9.86%	579,967	63,912	0	643,879
General Obligation Bonds-				
Variou Purpose - 2001				
Serial and Term Bonds 5.0%	1,505,000	0	60,000	1,445,000
General Obligation Bonds - 2003				
School Improvement				
Serial and Term Bonds 2 -4.8%	4,674,996	0	40,000	4,634,996
Capital Appreciation Bonds 24.578%	<u>193,621</u>	<u>27,034</u>	<u>0</u>	<u>220,655</u>
Total Long-Term Obligations	<u>\$21,350,542</u>	<u>\$136,183</u>	<u>\$675,000</u>	<u>\$20,811,725</u>

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

Generally, the District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three period. The total budget for the project is \$104,029,247, of which \$92,663,247 was awarded in school facilities monies and \$11,366,000 is the District's share of the project. In fiscal year 2005, the District received \$8,799,090 in school facilities monies. If the District's three-year average adjusted valuation per pupil increases above the state-wide median three-year adjusted valuation per pupil, the District may become responsible for repayment of a portion of the State's contribution. Based on the District's adjusted valuation relative to the state-wide median adjusted valuation, this possibility appears remote. This debt is not reflected in the general long-term obligations schedule above.

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

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

10. LONG-TERM DEBT OBLIGATIONS (Continued)

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

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

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

School Improvement Bonds – On October 22, 2003, the District issued \$4,764,996 of general obligation bonds authorized pursuant to a vote of the electors of the District at an election held May 6, 2003 under the authority of the Ohio Revised Code Chapter 133. The proceeds of the Bonds were used to pay costs of improving, construction, reconstructing, renovating, remodeling, enlarging, furnishing and equipping (including educational technology) building and facilities and acquiring and improving sites for school purposes. The bond issue included serial, term and capital appreciation bonds in the amount of \$1,625,000, \$3,050,000 and \$89,996, respectively. The bonds were issued for a twenty five-year period with final maturity December 1, 2028. The bonds are being retired from the Debt Service Fund.

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:

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

10. LONG-TERM DEBT OBLIGATIONS (Continued)

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:

Year	Principal Amount to be Redeemed
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. The accreted amount for fiscal year 2005 was \$45,237.

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:

Redemption Dates	Redemption Price
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:

Year	Principal Amount to be Redeemed
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.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

10. LONG-TERM DEBT OBLIGATIONS (Continued)

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. The accreted amount for fiscal year 2005 was \$63,912.

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

Year	Principal Amount to be Redeemed
2014	155,000
2016	200,000
2018	240,000
2024	325,000
2026	360,000
2027	375,000

The capital appreciation bonds are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2005 through 2012. The maturity amount of the bonds is \$375,000. The accreted amount for fiscal year 2005 was \$27,034.

Principal and interest requirements to retire the bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2006	\$ 767,757	\$ 993,356	\$ 1,761,113
2007	770,000	957,750	1,727,750
2008	945,000	916,013	1,861,013
2009	1,021,425	868,548	1,889,973
2010	1,061,403	819,246	1,880,649
2011-2015	3,566,140	5,429,853	8,995,993
2016-2020	6,110,000	2,564,830	8,674,830
2021-2025	5,105,000	839,874	5,944,874
2026-2029	<u>1,465,000</u>	<u>144,302</u>	<u>1,609,302</u>
Total	<u>\$20,811,725</u>	<u>\$13,533,772</u>	<u>\$34,345,497</u>

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

11. INTERFUND ACTIVITY

The following interfund activity occurred during the fiscal year:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 228,632
Non-Major Special Revenue Funds		
Severance Incentive	94,882	-
Total Non-Major Special Revenue Funds	<u>94,882</u>	<u>-</u>
Non-Major Debt Service Fund		
Bond Retirement	133,750	-
Total Non-Major Debt Service Funds	<u>133,750</u>	<u>-</u>
Total Governmental Funds	<u>228,632</u>	<u>228,632</u>
 Total Transfers In/Out	 <u><u>\$ 228,632</u></u>	 <u><u>\$ 228,632</u></u>

The General Fund (a major fund) transfers were made to the Severance Incentive Fund (Non-Major Special Revenue Fund) and the Bond Retirement Fund (Non-Major Debt Service Fund). These transfers are routine and were made for severance payouts and the retirement of debt.

All interfund transfers were eliminated for purposes of reporting in the District-Wide Financial Statements since the other transfers were between Government Activities.

12. CONTRACTUAL COMMITMENTS

As of June 30, 2005, the School District had contractual commitments as follows:

<u>Contractor</u>	<u>Project</u>	<u>Amount Outstanding</u>
Tuttle Barton Malow	Engineering	\$586,607
Steve R. Rauch, Inc.	Old High School Demolition	<u>261,141</u>
Total		<u>\$847,748</u>

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

13. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2005, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2004	(\$760,916)	(\$21,152,440)
Current Year Set-aside Requirement	740,446	740,446
Current Year Offsets	0	0
Qualifying Disbursements	(<u>812,521</u>)	(<u>271,998</u>)
Total	(<u>\$832,991</u>)	(<u>\$20,683,992</u>)

Qualifying expenditures for the textbook reserve exceeded the required set aside by \$832,991 and can be carried forward to future years. Accumulated set-aside requirements from bond or note proceeds in the capital improvements set aside may be carried forward to offset future years' requirements. The total reserve cash balance for the two set-asides at the end of the fiscal year was \$0.

14. JOINTLY GOVERNED ORGANIZATIONS

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

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

15. GROUP PURCHASING POOLS

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

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

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

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

16. RELATED ORGANIZATION

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

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

C. State School Funding Decision

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

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

18. SUBSEQUENT EVENTS

On November 8, 2005, the District passed an additional tax levy to raise \$2,200,000 each calendar year for a period of five years for the purpose of providing for the emergency requirements of the District, pursuant to Sections 5705.194 to 5705.197 of the Revised Code.

On November 10, 2005, the District issued bonds in the amount of \$9,004,990.05 to advance refund: (a) the District's \$5,035,000 Classroom Facilities Bonds, Series 2000, dated June 15, 2000 and maturing on December 1, 2022 (the Classroom Facilities Refunded Bonds), which Classroom Facilities Refunded Bonds were originally issued to pay the costs of the local share of the construction of classroom facilities; and (b) the District's \$3,970,000 Various Purpose Bonds, Series 2000, dated June 1, 2000 and maturing on December 1, 2022 (the Various Purpose Refunded Bonds and together with the Classroom Facilities Refunded Bonds, the Refunded Bonds) which Various Purpose Refunded Bonds were originally issued to pay costs of (i) acquiring sites for classroom facilities, (ii) constructing, improving and making additions to school facilities for a school auditorium, and (iii) acquiring and installing equipment and furnishings therein. The bonds mature on December 1, 2022 and are payable from the Debt Service Fund.

19. ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio Revised Code Section 5705.39, the Building Construction Fund had appropriations of \$19,775,759 and estimated resources of \$12,235,475; therefore appropriations exceeded estimated resources.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This is contrary to Ohio Administrative Code § 117-2-03(B).

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Titles	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. Department of Education (Passed through the Ohio Department of Education)					
Special Education Cluster:					
Special Education - Grants to States	84.027	\$ 1,553,950	\$ -	\$ 1,469,875	\$ -
Special Education - Preschool Grants	84.173	56,153	-	55,365	-
Total Special Education Cluster		1,610,103	-	1,525,240	-
Title I Grants to Local Educational Agencies	84.010	2,279,992	-	2,424,575	-
Innovative Education Programs Strategies	84.298	32,781	-	41,979	-
Adult Education - State Grant Program	84.002	94,606	-	116,659	-
Vocational Education - Basic Grants to States	84.048	212,941	-	214,273	-
Safe and Drug-Free Schools and Communities - National	84.184c	8,697	-	18,126	-
Safe and Drug-Free Schools and Communities - State Grant	84.186	52,637	-	48,145	-
Even Start - State Educational Agencies	84.213	2,222	-	34,144	-
Educational Technology State Grants	84.318	212,063	-	251,260	-
Comprehensive School Reform Demonstration	84.332	171,359	-	175,931	-
Twenty-First Century Community Learning Centers	84.287	478,042	-	449,026	-
Improving Teacher Quality - State Grants	84.367	580,328	-	561,957	-
(Passed through Lima Technical College)					
Improving Literacy Through Library	84.364	138,744	-	138,744	-
Advanced Testing Reimbursement	84.330	156	-	156	-
Total U.S. Department of Education		5,874,671	-	6,000,215	-
U.S. Department of Health and Human Services (Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)					
Medical Assistance Program (CAFS)	93.778	209,470	-	209,470	-
U.S. Department of Agriculture (Passed through the Ohio Department of Education)					
Child Nutrition Cluster:					
Food Distribution	10.550	-	280,033	-	280,033
School Breakfast Program	10.553	597,973	-	597,973	-
National School Lunch Program	10.555	1,156,608	-	1,156,608	-
Summer Food Service Program for Children	10.559	40,798	-	40,798	-
Step Up to the Plate	10.574	-	-	9,680	-
Total U.S. Department of Agriculture		1,795,379	280,033	1,805,059	280,033
Total Federal Financial Assistance		<u>\$ 7,879,520</u>	<u>\$ 280,033</u>	<u>\$ 8,014,744</u>	<u>\$ 280,033</u>

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

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – MATCHING REQUIREMENTS

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

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
Lima City School District
515 South Calumet Avenue
Lima, Ohio 45804

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of the Lima City School District (the District), Allen County, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 31, 2005, wherein we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, 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 2005-01 and 2005-02.

Members of the Board
Lima City School District
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

We noted certain matters that we reported to the management of the District in a separate letter dated December 31, 2005.

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

BALESTRA, HARR & SCHERER CPAs, INC.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board
Lima City School District
515 South Calumet Avenue
Lima, Ohio 45804

Compliance

We have audited the compliance of Lima City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Lima City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the 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 reportable 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, regulation, contracts and grants caused by error or fraud 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 solely for the information and use of the audit committee, management, members of the Board, 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(I)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(I)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(I)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(I)(v)</i>	Type of Major Programs= Compliance Opinion	Unqualified
<i>(d)(I)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(I)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA #10.550, 10.553, 10.555, 10.559, 10.574 Title I Grants to Local Education Agencies CFDA #84.010 Improving Teacher Quality – State Grants CFDA #84.367 Twenty-First Century Community Learning Centers CFDA #84.287
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2005-001

Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

We recommend the District take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

FINDING NUMBER 2005-002

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

As of June 30, 2005, the Building Construction Fund had appropriations of \$19,775,759 and estimated resources of \$12,235,475; therefore appropriations exceeded estimated resources.

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LIMA CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ohio Administrative Code § 117-2-03(B) - Not reporting GAAP.	No	Not corrected. Reissued as finding 2005-001. The District believes reporting on the cash basis of accounting is more cost efficient.
2004-002	Ohio Revised Code (ORC) Section 5705.39 Appropriations exceeded estimated resources.	No	Not corrected. Reissued as finding 2005-002. The District will make every attempt to correct this in fiscal year 2006.
2004-003	ORC Section 5705.36 Obtaining reduced amended certificate of estimated resources.	Yes	
2004-004	ORC Section 5705.412 Not properly issuing "412" certificates.	Yes	
2004-005	Adherence to negotiated agreement.	Yes	
2004-006	Controls over student activities.	No	Repeated in the management letter, not material in the current audit.
2004-007	CFDA #84.287 Noncompliance with 34 CFR Sections 200.62 through 200.67.	Yes	



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LIMA CITY SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 8, 2006**