



Dave Yost • Auditor of State

**CITY OF LIMA
ALLEN COUNTY**

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ALLEN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Lima
Allen County
50 Town Square
Lima, Ohio 45801

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lima, Allen County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lima, Allen County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Federal Award Expenditures (the Schedule) presents 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 also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2015

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CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The discussion and analysis of the City of Lima's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- ❑ General Revenues accounted for \$20.2 million in revenue or 29 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$49.4 million or 71 percent of total revenues of \$69.6 million.
- ❑ Total program expenses were \$64.9 million: \$36.7 million in governmental activities and \$28.2 million in business-type activities.
- ❑ In total, the City's net position increased \$4.7 million. The business-type activities contributed the majority of the increase at \$4,546,926. The governmental activities change in net position was \$179,544.
- ❑ Outstanding debt increased nearly \$17.3 million from \$95,249,703 to 112,556,406. In March 2014, the City issued \$6.915 million in bond anticipation notes to finance fire department vehicles and station improvements, a substantial Hall of Justice/LAN Room project, the sanitary sewer lift station project and the Westminster water line project. In December 2014, the City's Sewer Utility issued \$15.935 million in revenue bonds to finance a significant critical equipment replacement and upgrade project at the wastewater treatment plant. As of the end of 2014, the City had not spent the proceeds. Despite the new obligation, the City has prudently managed the repayment of existing debt obligations, contributing to the overall decrease in the City's debt.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Lima as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2014 and how they affected the operations of the City as a whole.

Reporting the City of Lima as a Whole

Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The *Statement of Net Position* and the *Statement of Activities* report information about the City as a whole

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements provide a long-term view of the City's finances.

These two statements report the City's *net position* and changes in net position. You can think of the City's net position, the difference between assets (what the citizens own) and liabilities (what the citizens owe) as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (land, roads, building and water and sewer lines, etc.) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct types of activities:

- ❑ **Governmental Activities** - Most of the City's programs and services are reported here, including the police, fire, street and highway maintenance, capital improvement, vehicle acquisition, parks and recreation, and general administrative. Income taxes, property taxes, undivided local government, ambulance user fees and state and federal grants finance most of these activities.
- ❑ **Business-Type Activities** - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, refuse and storm water operations are reported here.

Reporting the City of Lima's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. Some funds are required to be established by State law. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. These fund financial statements tell how services were financed in the short-term as well as what remains for future spending. These statements focus on the City's most significant funds. The City's major governmental fund is the general fund fund.

The City's three types of funds – governmental, proprietary, and fiduciary – use different accounting approaches.

Governmental Funds - Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs and services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation following the fund financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be the City's major governmental fund. Information from the remaining governmental funds is combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Our analysis of the City's major governmental fund begins on page 12. The governmental fund financial statements begin on page 20.

Proprietary Funds - When the City charges customers for the services it provides, whether to outside customers or to other departments or segments of the City, these services are reported in proprietary funds. Proprietary funds use the same *accrual basis* of accounting as the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (water, sewer, refuse and storm water) are the same as the government-wide business-type activities but provide more detail, as well as cash flow information. These statements will essentially match, except the government-wide business-type activities also include the internal service fund allocations.

The proprietary fund financial statements begin on page 25.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements begin on page 30.

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

The City of Lima as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net position for 2014 compared to 2013:

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
Assets						
Current and Other Assets	\$ 33,488,911	\$ 32,364,091	\$ 45,278,501	\$ 23,329,773	\$ 78,767,412	\$ 55,693,864
Capital Assets, Net	58,474,904	57,418,757	124,085,945	122,748,077	182,560,849	180,166,834
Total Assets	<u>91,963,815</u>	<u>89,782,848</u>	<u>169,364,446</u>	<u>146,077,850</u>	<u>261,328,261</u>	<u>235,860,698</u>
Deferred Outflows of Resources						
Deferred Charges on Debt Refundings	0	0	314,098	319,395	314,098	319,395
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>314,098</u>	<u>319,395</u>	<u>314,098</u>	<u>319,395</u>
Liabilities						
Current and Other Liabilities	2,595,512	2,487,754	4,019,286	3,567,402	6,614,798	6,055,156
Long-Term Liabilities						
Due Within One Year	563,842	685,813	7,423,020	3,312,424	7,986,862	3,998,237
Due in More than One Year	6,984,420	5,079,542	101,202,324	87,030,432	108,186,744	92,109,974
Total Liabilities	<u>10,143,774</u>	<u>8,253,109</u>	<u>112,644,630</u>	<u>93,910,258</u>	<u>122,788,404</u>	<u>102,163,367</u>
Deferred Inflows of Resources						
Unavailable Revenues	9,878,696	9,767,938	0	0	9,878,696	9,767,938
Total Deferred Inflows of Resources	<u>9,878,696</u>	<u>9,767,938</u>	<u>0</u>	<u>0</u>	<u>9,878,696</u>	<u>9,767,938</u>
Net Position						
Net Investment in Capital Assets	53,589,765	54,091,068	33,632,832	33,726,334	87,222,597	87,817,402
Restricted	5,219,376	5,220,278	0	0	5,219,376	5,220,278
Unrestricted	13,132,204	12,450,455	23,401,082	18,760,653	36,533,286	31,211,108
Total Net Position	<u>\$ 71,941,345</u>	<u>\$ 71,761,801</u>	<u>\$ 57,033,914</u>	<u>\$ 52,486,987</u>	<u>\$ 128,975,259</u>	<u>\$ 124,248,788</u>

During 2014, corrections were made to the City's capital assets. These corrections changed the prior balances of Capital Assets, Net and Net Investment in Capital Assets. The net effect of the corrections to the governmental activities was a decrease \$643,162 to both balances. The net effect of the corrections to the business-type activities was a decrease \$15,497.

The City's *combined* net position changed from a year ago, increasing \$4.7 million or 3.8 percent.

Net position in the City's governmental activities increased less than 1 percent or approximately \$0.2 million (\$71.9 million compared to \$71.7 million in 2013). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased \$0.68 million from 2013. Restricted net position, those restricted mainly for debt repayment, capital projects and special purposes such as street repairs, state highway projects, and community housing programs remained consistent to prior year. The net investment in capital assets category decreased \$0.50 million from 2013.

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

Total governmental assets increased approximately \$2.1 million from 2013. The most substantial factor to the increase is governmental capital assets, net of depreciation, which increased \$1.06 million from the prior year. The City incurred costs with the Traffic Study and Reconstruction at Elizabeth and West Streets Project, as well as the LAN Project at the Hall of Justice. Intergovernmental receivables account for \$0.7 million of the increase due to the timing of revenues in the CDBG program and State Issue I funding.

Total governmental liabilities increased approximately \$1.9 million from prior year due to new bond anticipation notes issued to fund various activities of the City, including the projects mentioned above.

Net position in the City's business-type activities increased by \$4.5 million (\$57.0 million compared to \$52.5 million in 2013). The City generally can only use unrestricted net position to finance the continuing operations of the water, sewer, refuse and storm water operations and other business-type activities of the City. Net investment in capital assets decreased less than \$95,000 due to acquisitions exceeding depreciation expense coupled with a new OWDA loan and revenue bond obligations issued in 2014.

Business-type assets increased \$23.3 million over the prior year. Equity in pooled cash and cash equivalents contributed most significantly to this increase. As discussed further in Note 14, the City issued revenue bonds in late December 2014. Due to the timing of the debit issue, the funds were received before expenditures were incurred. Business-type liabilities increased \$18.7 million mainly due to the new debt issues of 2014. Deferred inflows/outflows of resources remained consistent to the prior year.

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CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2014 and 2013. This will enable the reader to draw further conclusion about the City's financial status and possibly project future issues.

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 10,956,352	\$ 9,904,799	\$ 32,064,878	\$ 28,632,573	\$ 43,021,230	\$ 38,537,372
Operating Grants, Contributions and Interest	3,260,118	3,803,233	0	50,000	3,260,118	3,853,233
Capital Grants, Contributions and Interest	3,036,751	2,119,514	46,290	35,371	3,083,041	2,154,885
Total Program Revenues	17,253,221	15,827,546	32,111,168	28,717,944	49,364,389	44,545,490
<i>General Revenues:</i>						
Property Taxes	1,079,483	1,192,163	0	0	1,079,483	1,192,163
Income Taxes	16,799,451	15,915,796	0	0	16,799,451	15,915,796
Other Local Taxes	242,020	198,947	0	0	242,020	198,947
Intergovernmental	1,095,138	1,969,254	0	0	1,095,138	1,969,254
Investment Earnings	185,960	(55,596)	42,545	(5,634)	228,505	(61,230)
Rebate on RZ and BAB Bonds	18,087	19,897	198,789	197,289	216,876	217,186
Gain (Loss) on Sale of Capital Assets	24,535	39,418	(15,376)	(147,348)	9,159	(107,930)
Contributed Capital	0	0	0	0	0	0
Miscellaneous	463,048	475,123	113,284	77,146	576,332	552,269
Total General Revenues	19,907,722	19,755,002	339,242	121,453	20,246,964	19,876,455
Total Revenues	37,160,943	35,582,548	32,450,410	28,839,397	69,611,353	64,421,945
Program Expenses						
General Government	9,251,593	8,495,961	0	0	9,251,593	8,495,961
Security of Persons and Property	17,137,714	16,700,344	0	0	17,137,714	16,700,344
Transportation	6,159,891	5,869,074	0	0	6,159,891	5,869,074
Community Environment	2,690,726	4,240,987	0	0	2,690,726	4,240,987
Leisure Time	1,302,089	1,207,812	0	0	1,302,089	1,207,812
Interest and Fiscal Charges	150,570	128,601	0	0	150,570	128,601
Water	0	0	13,867,145	13,394,754	13,867,145	13,394,754
Sewer	0	0	10,262,642	9,966,239	10,262,642	9,966,239
Refuse	0	0	2,555,500	2,743,991	2,555,500	2,743,991
Storm Water	0	0	1,507,012	1,481,860	1,507,012	1,481,860
Total	36,692,583	36,642,779	28,192,299	27,586,844	64,884,882	64,229,623
Increase (Decrease) in Net Position						
<i>Before Transfers</i>	468,360	(1,060,231)	4,258,111	1,252,553	4,726,471	192,322
Net Transfers	(288,816)	0	288,816	0	0	0
Change in Net Position	\$ 179,544	\$ (1,060,231)	\$ 4,546,927	\$ 1,252,553	\$ 4,726,471	\$ 192,322
Beginning Net Position (Restated)	71,761,801	72,822,032	52,486,987	51,234,434	124,248,788	124,056,466
Ending Net Position	\$ 71,941,345	\$ 71,761,801	\$ 57,033,914	\$ 52,486,987	\$ 128,975,259	\$ 124,248,788

Governmental Activities

Overall, governmental activities had a slight increase in net position of \$179,544.

The funding for City's governmental activities comes from several different sources. Revenues provided by specific programs including charges for services amount to 29.5 percent of all governmental revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 16.9 percent. General revenues account for the remaining 53.6 percent.

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

The City's most significant general revenue is its municipal income tax. Other prominent sources include property taxes and unrestricted grants and entitlements such as local government funding.

The City's income tax went into effect January 1, 1960 at a rate of 0.75 percent. The rate was increased to 1 percent on January 1, 1967. The income tax rate was increased to its current rate of 1.5 percent on January 1, 1983. Both residents of the City and non-residents who work inside the City are subject to the income tax. If residents work in a locality that withholds municipal income tax, the City of Lima provides 100 percent credit up to 1.5 percent for those who pay income tax to another city. City Council could by Ordinance choose to vary that income tax credit and create additional revenues for the City, if deemed necessary.

Total governmental revenues increased \$1.6 million from the prior year mainly due to additional capital grant funds.

Total governmental expenses were consistent with 2013, increasing less than \$50,000. Police and Fire Departments continue to represent the largest expense of the governmental activities. This expense of \$17,137,714 represents 46.7 percent of the total governmental services expenses. These two departments operate out of the General fund.

General government expenses equaled \$9,251,593 or 25.2 percent of the total government services expenses. This category includes expenses associated with those City departments not associated with the other cost centers.

The City's Transportation Department provides the City and its citizens many services including public road salting, leaf and debris pickup, paint striping and alley profiling. This department operates out of both the General fund and the Street Repair Special Revenue fund. This department had expenses of \$6,159,891 or 16.8 percent of the total governmental services expenses.

The City's Community Development Department accounts for the Community Environment expenses. This department provides services such as code enforcement, home repair assistance, some economic development work and other community environment related services. Community Environment expenses equaled \$2,690,726. This is 7.3 percent of total governmental services expenses.

The City also maintains 12 parks (leisure time activities) within the City. Leisure time activities also accounts for the City-sponsored recreational activities. This area had expenses of \$1,302,089 in 2014 or 3.5 percent of total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer, refuse and storm water operations. The revenues are generated primarily from charges for services. In 2014, charges for services of \$32,064,878 accounted for 98.9 percent of the all business-type revenues. The total expenses for the utilities were \$28,192,299, leaving an increase in net position of \$4,546,927 for the business-type activities.

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 20. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues, excluding other financing sources, of \$36,793,240, an increase of \$1,442,387 or 4.1 percent from 2013. All governmental funds also had expenditures, excluding other financing uses, of \$38,307,969, an increase of \$1,784,945 or 4.9 percent over 2013. The City's governmental funds reported combined ending fund balances of \$15.8 million; \$7.1 million of this total constitutes unassigned fund balance, which is available for appropriation at the City's discretion within certain legal constraints and purpose restrictions. The remainder of the fund balance is restricted, committed or assigned to indicate that it is not available for new spending. The funds are monitored continually, with adjustments made in budgets throughout the year to accommodate yearly revenues.

The general fund's fund balance increased \$409,619 from 2013. Total expenditures increased \$1,056,217; however revenues also increased \$1,098,920 to offset the increased spending. During 2014, the City purchased police, fire and other City vehicles, as well as neared completion of a Hall of Justice/LAN Room project.

The total fund balance for all other governmental funds increased of \$196,790 from the previous year 2013. The increase is mainly due to the vigilant monitoring of fund balances.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail. Information about the proprietary funds starts on page 25.

The water fund had an increase in net position of \$679,393 from 2013. Although total water fund operating expenses were \$674,093 greater than 2013, current year revenues also increased to sufficiently cover current year expenses. The increase in the water fund's expenses is due to the completion of various projects and the implementation of increased charges for services.

The sewer fund showed an increase in net position of \$2,243,761 from 2013. Total operating expenses were \$75,451 less than in 2013; current year revenues increased nearly \$1.3 million from prior year. The increase in the sewer fund's revenue is due, in part, to the implementation of increased charges for services.

The refuse fund showed a \$408,730 increase in net position over 2013. Consistent with prior years, the revenues are sufficient to cover expenses in the fund and there are no individually significant changes from 2013.

The storm water fund showed a \$931,766 increase in net position over 2013. Consistent with prior years, the revenues are sufficient to cover expenses in the fund. This fund received \$83,816 in contributed capital in 2014.

CITY OF LIMA
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Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

These funds are accounted for on an accrual basis. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Ordinance: all are based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2014, the City amended its general fund budget on several occasions. All recommendations for appropriation changes come to Council from the City Finance Director. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, budget basis actual revenue was \$29.0 million, \$1.1 million over the final budget estimates of \$27.9 million. Intergovernmental revenues were over projections by \$214,830. The City benefited from higher-than-expected inheritance tax and local government funds. Fines and forfeitures revenues were over projections by \$418,605 mainly due to increased collection procedures. Property taxes and fees, licenses and permits revenues were also over projections by \$116,735 and \$27,058, respectively. Other revenue sources including municipal income tax and charges for services were under the projected amount by \$126,533 and \$251,515, respectively. Investment income also came in under projections by \$20,129.

Actual expenditures of \$29.2 million were \$1.5 million lower than the final appropriations of \$30.7 million. All of the City's departments came in under budget in 2014 due to uncertainties in the economy forcing the City to maintain a conservative spending approach.

The most significant change between the general fund's original and final budget is in capital outlay. The City budget begins the year in a conservative position towards capital spending. The general fund budget is amended during the year as spending is appropriately planned.

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2014, the City had \$182.6 million invested in land, buildings, equipment, infrastructure and vehicles. A total of \$58.5 million of this was for governmental activities with the remaining \$124.1 million attributable to business-type activities. Table 3 shows fiscal year 2014 balances compared with 2013.

(Table 3)
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	Restated	2014	Restated	2014	Restated
		2013		2013		2013
Land	\$ 6,545,106	\$ 6,518,109	\$ 5,254,044	\$ 5,254,044	\$ 11,799,150	\$ 11,772,153
Construction in Progress	3,688,033	1,289,989	8,341,686	9,695,464	12,029,719	10,985,453
Buildings	7,029,068	6,854,802	47,295,717	48,866,379	54,324,785	55,721,181
Improvements	756,532	857,535	15,278,541	16,198,395	16,035,073	17,055,930
Machinery and Equipment	1,676,655	1,335,849	14,964,141	12,736,654	16,640,796	14,072,503
Furniture and Fixtures	37,012	35,036	15,235	17,008	52,247	52,044
Vehicles	1,316,257	1,674,231	967,150	1,216,901	2,283,407	2,891,132
Capitalized Interest and Intangibles	0	0	2,274,793	2,330,537	2,274,793	2,330,537
Infrastructure	37,426,241	38,853,206	29,694,638	26,432,695	67,120,879	65,285,901
Totals	<u>\$ 58,474,904</u>	<u>\$ 57,418,757</u>	<u>\$ 124,085,945</u>	<u>\$ 122,748,077</u>	<u>\$ 182,560,849</u>	<u>\$ 180,166,834</u>

Total capital assets increased by \$2.4 million in 2014 due to acquisitions exceeding depreciation expense. The City purchased equipment and vehicles for the police, fire, streets and utilities departments. The City's Utilities Department completed construction of the Baxter Street Interceptor and the Wastewater Treatment Plant Bridge Rehabilitation projects, and nearly completed a significant rehabilitation project to twenty-six of the City's sanitary sewer lift stations. Construction has begun on a critical equipment replacement and upgrade project at the wastewater treatment plant. The City also completed the traffic study and reconstruction at Elizabeth and West Street, and is nearing completion of the Hall of Justice/LAN Room project, as well as continuing other various other road improvement projects.

More detailed information about the City's capital assets is presented in Note 9 to the basic financial statements. 2013 capital asset information has been restated due to corrections; see Note 2 for additional information.

CITY OF LIMA
Allen County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

Debt Administration

The total outstanding debt for the City as of December 31, 2014 was \$112,556,406. This balance reflects a \$17.3 million or 18.2 percent increase from the prior year balance. During 2014, the City issued \$15,935,000 in tax-exempt sewer revenue bonds as well as bond anticipation notes totaling \$6,915,000. The funding is secured as the City begins construction on a critical equipment replacement and upgrade project at the wastewater treatment plant. See Note 14 for additional details. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 2,843,916	\$ 3,292,448	\$ 4,654,309	\$ 4,975,930	\$ 7,498,225	\$ 8,268,378
Bond Anticipation Notes	2,033,674	0	4,881,326	0	6,915,000	0
Revenue Bonds	0	0	40,465,283	25,123,309	40,465,283	25,123,309
Capital Leases	7,554	35,242	0	4,580	7,554	39,822
OWDA Loans	0	0	56,533,682	57,958,570	56,533,682	57,958,570
Bresler Reservoir Termination Agreement	0	0	1,136,662	1,278,744	1,136,662	1,278,744
Total	\$ 4,885,144	\$ 3,327,690	\$ 107,671,262	\$ 89,341,133	\$ 112,556,406	\$ 92,668,823

Current Financial Issues

The City administration is currently working with businesses to occupy several industrial parks within the City limits. Extension of City utilities to new areas is an ongoing process. In addition, the City's Utilities Department has completed the construction of a new reservoir to serve the anticipated needs for future economic development

The City is developing new and enhancing existing economic development incentives to attract new businesses and encourage existing ones to expand their operations within the City of Lima.

The plans for the future are always made keeping a careful watch on the financial condition of the City. The City of Lima's goal is to keep itself financially strong and enable growth to meet the needs of the future.

Contacting the City Auditor's Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Randy Bartels, Auditor of City of Lima, 50 Town Square, Lima, OH 45801 or email randy.bartels@cityhall.lima.oh.us.

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CITY OF LIMA
Allen County, Ohio

Statement of Net Position
December 31, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 16,707,000	\$ 31,132,213	\$ 47,839,213
Taxes Receivable	4,616,929	0	4,616,929
Accounts Receivable	750,332	9,436,569	10,186,901
Intergovernmental Receivable	2,291,493	0	2,291,493
Special Assessments Receivable	8,976,898	0	8,976,898
Accrued Interest Receivable	21,109	0	21,109
Materials and Supplies Inventory	141,233	115,606	256,839
Notes Receivable	367,616	0	367,616
Prepaid Items	121,325	107,969	229,294
Internal Balances	(532,752)	532,752	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	571,659	571,659
Cash and Cash Equivalents with Fiscal and Escrow Agents	27,728	3,381,733	3,409,461
Capital Assets:			
Nondepreciable Capital Assets	10,233,138	13,595,730	23,828,868
Depreciable Capital Assets, Net	48,241,766	110,490,215	158,731,981
<i>Total Assets</i>	<u>91,963,815</u>	<u>169,364,446</u>	<u>261,328,261</u>
Deferred Outflows of Resources			
Deferred Charges on Debt Refundings	0	314,098	314,098
<i>Total Deferred Outflows of Resources</i>	<u>0</u>	<u>314,098</u>	<u>314,098</u>

(continued)

CITY OF LIMA
Allen County, Ohio

Statement of Net Position
December 31, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Liabilities			
Accounts Payable	355,262	921,531	1,276,793
Contracts Payable	863,542	335,736	1,199,278
Accrued Wages	596,227	189,060	785,287
Retainage Payable	0	354,287	354,287
Intergovernmental Payable	457,489	272,946	730,435
Accrued Interest Payable	24,518	1,229,673	1,254,191
Claims Payable	295,276	0	295,276
Payable from Restricted Assets:			
Refundable Deposits	0	571,659	571,659
Accrued Interest Payable	3,198	144,394	147,592
Long-Term Liabilities:			
Due Within One Year	563,842	7,423,020	7,986,862
Due In More Than One Year	6,984,420	101,202,324	108,186,744
<i>Total Liabilities</i>	<u>10,143,774</u>	<u>112,644,630</u>	<u>122,788,404</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	901,798	0	901,798
Unavailable Revenue - Special Assessments	8,976,898	0	8,976,898
<i>Total Deferred Inflows of Resources</i>	<u>9,878,696</u>	<u>0</u>	<u>9,878,696</u>
Net Position			
Net Investment in Capital Assets	53,589,765	33,632,832	87,222,597
Restricted for:			
Capital Projects	629,352	0	629,352
Debt Service	327,255	0	327,255
Other Purposes	4,262,769	0	4,262,769
Unrestricted	13,132,204	23,401,082	36,533,286
<i>Total Net Position</i>	<u>\$ 71,941,345</u>	<u>\$ 57,033,914</u>	<u>\$ 128,975,259</u>

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

CITY OF LIMA
Allen County, Ohio

Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets and Deferred Outflows of Resources			
Equity in Pooled Cash and Cash Equivalents	\$ 9,405,407	\$ 4,944,564	\$ 14,349,971
Receivables:			
Taxes	4,556,229	60,700	4,616,929
Accounts	749,132	0	749,132
Intergovernmental	544,697	1,746,796	2,291,493
Special Assessments	0	8,976,898	8,976,898
Interfund	0	114,700	114,700
Accrued Interest	19,416	1,693	21,109
Materials and Supplies Inventory	0	60,978	60,978
Due From Other Funds	0	206,850	206,850
Notes Receivable	0	367,616	367,616
Prepaid Items	115,013	6,312	121,325
Restricted Assets:			
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	27,728	27,728
Advances to Other Funds	31,297	0	31,297
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 15,421,191</u>	<u>\$ 16,514,835</u>	<u>\$ 31,936,026</u>
Liabilities			
Accounts Payable	\$ 279,708	\$ 35,664	\$ 315,372
Contracts Payable	151,210	712,332	863,542
Interfund Payable	0	114,700	114,700
Accrued Wages	554,677	41,550	596,227
Compensated Absences Payable	4,297	0	4,297
Intergovernmental Payable	423,170	34,319	457,489
Due To Other Funds	0	206,850	206,850
Advances from Other Funds	0	31,297	31,297
<i>Total Liabilities</i>	<u>1,413,062</u>	<u>1,176,712</u>	<u>2,589,774</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	1,181,423	0	1,181,423
Unavailable Revenue - Income Taxes	2,258,834	0	2,258,834
Unavailable Revenue - Grants and Special Assessments	463,514	9,616,643	10,080,157
<i>Total Deferred Inflows of Resources</i>	<u>3,903,771</u>	<u>9,616,643</u>	<u>13,520,414</u>
Fund Balances			
Nonspendable	485,360	67,290	552,650
Restricted	0	4,247,458	4,247,458
Committed	0	1,002,145	1,002,145
Assigned	2,482,658	464,242	2,946,900
Unassigned	7,136,340	(59,655)	7,076,685
<i>Total Fund Balances</i>	<u>10,104,358</u>	<u>5,721,480</u>	<u>15,825,838</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 15,421,191</u>	<u>\$ 16,514,835</u>	<u>\$ 31,936,026</u>

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

CITY OF LIMA
Allen County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2014*

Total Governmental Funds Balances		\$15,825,838
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		58,474,904
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 279,625	
Income Tax	2,258,834	
Intergovernmental	1,103,259	
Total	3,641,718	3,641,718
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in		
Net Position	2,103,318	
Internal Balances	(532,752)	
Total	1,570,566	1,570,566
 Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(2,843,916)	
Bond Anticipation Note	(2,033,674)	
Compensated Absences	(2,548,821)	
Capital Leases Payable	(7,554)	
Judgments Payable	(110,000)	
Accrued Interest Payable	(27,716)	
Total	(7,571,681)	(7,571,681)
 <i>Net Position of Governmental Activities</i>		 \$71,941,345

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

CITY OF LIMA
Allen County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 1,117,935	\$ 0	\$ 1,117,935
Municipal Income Taxes	16,489,310	0	16,489,310
Other Local Taxes	0	242,020	242,020
Intergovernmental	1,315,977	6,417,116	7,733,093
Charges for Services	7,150,145	483,138	7,633,283
Fees, Licenses and Permits	828,058	0	828,058
Fines and Forfeitures	1,416,680	635,554	2,052,234
Special Assessments	0	69,281	69,281
Investment Income	165,892	34,540	200,432
Miscellaneous	210,881	216,713	427,594
<i>Total Revenues</i>	<u>28,694,878</u>	<u>8,098,362</u>	<u>36,793,240</u>
Expenditures:			
Security of Persons and Property	16,243,558	390,943	16,634,501
Leisure Time Activities	1,111,215	47,069	1,158,284
Community Environment	968,389	1,640,239	2,608,628
Transportation	852,175	3,493,249	4,345,424
General Government	8,310,993	489,891	8,800,884
Capital Outlay	908,267	3,272,480	4,180,747
Debt Service:			
Principal Retirement	0	444,000	444,000
Interest and Fiscal Charges	0	135,501	135,501
<i>Total Expenditures</i>	<u>28,394,597</u>	<u>9,913,372</u>	<u>38,307,969</u>
<i>Excess Revenues Over (Under) Expenditures</i>	<u>300,281</u>	<u>(1,815,010)</u>	<u>(1,514,729)</u>
Other Financing Sources (Uses):			
Premium on Bond Anticipation Notes	0	29,782	29,782
Proceeds of Bond Anticipation Notes	669,915	1,363,759	2,033,674
Rebates on RZ and BAB Bonds	0	18,087	18,087
Proceeds from Sale of Capital Assets	32,667	322	32,989
Inception of Capital Lease	6,606	0	6,606
Operating Transfers - In	0	659,310	659,310
Operating Transfers - Out	(599,850)	(59,460)	(659,310)
<i>Total Other Financing Sources (Uses)</i>	<u>109,338</u>	<u>2,011,800</u>	<u>2,121,138</u>
<i>Net Change in Fund Balances</i>	409,619	196,790	606,409
<i>Fund Balances - Beginning of Year</i>	<u>9,694,739</u>	<u>5,524,690</u>	<u>15,219,429</u>
<i>Fund Balances - End of Year</i>	<u>\$ 10,104,358</u>	<u>\$ 5,721,480</u>	<u>\$ 15,825,838</u>

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

City of Lima
Allen County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	606,409
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	\$ 5,409,942	
Depreciation	(4,253,715)	
Total		1,156,227
Net effect of various miscellaneous transactions involving capital assets.		(100,084)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(38,452)	
Income Tax	310,141	
Intergovernmental	(16,884)	
Total		254,805
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position.		
Bond Anticipation Notes		(2,033,674)
Inception of Capital Lease		(6,606)
Premiums on bond or note issuances are realized when received in the governmental funds, but reduce interest expense on the statement of activities		4,532
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		444,000
Payment on a capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		34,294
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(18,869)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(239,608)
The internal service funds used by management to charge the costs of insurance and gasoline to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		
Change in Net Position	361,396	
Internal Balances	(283,278)	
Total		78,118
Change in Net Position of Governmental Activities	\$	179,544

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

CITY OF LIMA
Allen County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP) and Actual
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,001,200	\$ 1,001,200	\$ 1,117,935	\$ 116,735
Municipal Income Tax	16,500,000	16,500,000	16,373,467	(126,533)
Intergovernmental	1,097,600	1,097,600	1,312,430	214,830
Charges for Services	7,237,000	7,237,000	6,985,485	(251,515)
Fees, Licenses and Permits	801,000	801,000	828,058	27,058
Fines and Forfeitures	1,035,000	1,035,000	1,453,605	418,605
Investment Income	85,000	85,000	64,871	(20,129)
Miscellaneous	177,500	177,500	877,259	699,759
<i>Total Revenues</i>	<u>27,934,300</u>	<u>27,934,300</u>	<u>29,013,110</u>	<u>1,078,810</u>
Expenditures:				
Current:				
Security of Persons and Property	15,873,273	16,687,826	16,382,852	304,974
Leisure Time Activities	1,204,680	1,198,545	1,109,676	88,869
Transportation	945,525	1,028,335	926,424	101,911
General Government	9,117,887	9,325,123	8,455,872	869,251
Capital Outlay	306,771	1,392,680	1,318,066	74,614
Debt Service:				
Principal Retirement	550,000	0	0	0
<i>Total Expenditures</i>	<u>29,010,300</u>	<u>30,677,932</u>	<u>29,176,216</u>	<u>1,501,716</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,076,000)</u>	<u>(2,743,632)</u>	<u>(163,106)</u>	<u>2,580,526</u>
Other Financing Sources (Uses):				
Proceeds from Disposition of Capital Assets	10,000	10,000	32,667	22,667
Transfers In/(Out)	0	(666,421)	(599,850)	66,571
Advances In/(Out)	0	(90,000)	(25,193)	64,807
<i>Total Other Financing Sources (Uses)</i>	<u>10,000</u>	<u>(746,421)</u>	<u>(592,376)</u>	<u>154,045</u>
<i>Net Change in Fund Balance</i>	(1,066,000)	(3,490,053)	(755,482)	2,734,571
<i>Fund Balance - Beginning of Year</i>	8,435,396	8,435,396	8,435,396	0
<i>Prior Year Encumbrances Appropriated</i>	<u>667,824</u>	<u>667,824</u>	<u>667,824</u>	<u>0</u>
<i>Fund Balance - End of Year</i>	<u>\$ 8,037,220</u>	<u>\$ 5,613,167</u>	<u>\$ 8,347,738</u>	<u>\$ 2,734,571</u>

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

CITY OF LIMA
Allen County, Ohio

Statement of Net Position
Proprietary Funds
December 31, 2014

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water	Total	
Assets						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$ 5,621,048	\$ 23,334,565	\$ 1,560,293	\$ 616,307	\$ 31,132,213	\$ 2,357,029
Receivables:						
Accounts	2,363,945	3,220,073	641,398	3,211,153	9,436,569	1,200
Materials and Supplies Inventory	72,918	42,688	0	0	115,606	80,255
Due From Other Funds	0	55,000	0	0	55,000	0
Prepaid Items	55,225	49,325	2,619	800	107,969	0
<i>Total Current Assets</i>	<u>8,113,136</u>	<u>26,701,651</u>	<u>2,204,310</u>	<u>3,828,260</u>	<u>40,847,357</u>	<u>2,438,484</u>
<i>Noncurrent Assets:</i>						
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	571,659	0	0	0	571,659	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	639,829	2,741,904	0	0	3,381,733	0
Capital Assets:						
Nondepreciable Capital Assets	4,751,652	8,685,814	0	158,264	13,595,730	0
Depreciable Capital Assets, Net	62,960,172	41,488,964	0	6,041,079	110,490,215	0
<i>Total Noncurrent Assets</i>	<u>68,923,312</u>	<u>52,916,682</u>	<u>0</u>	<u>6,199,343</u>	<u>128,039,337</u>	<u>0</u>
<i>Total Assets</i>	<u>77,036,448</u>	<u>79,618,333</u>	<u>2,204,310</u>	<u>10,027,603</u>	<u>168,886,694</u>	<u>2,438,484</u>
Deferred Outflows of Resources						
Deferred Charges on Debt Refundings	0	314,098	0	0	314,098	0
<i>Total Deferred Outflows of Resources</i>	<u>0</u>	<u>314,098</u>	<u>0</u>	<u>0</u>	<u>314,098</u>	<u>0</u>

(continued)

CITY OF LIMA
Allen County, Ohio

Statement of Net Position
Proprietary Funds
December 31, 2014

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water	Total	
Liabilities						
<i>Current Liabilities:</i>						
Accounts Payable	544,586	147,299	220,993	8,653	921,531	39,890
Contracts Payable	3,159	310,477	0	22,100	335,736	0
Accrued Wages	94,058	72,818	2,951	19,233	189,060	0
Compensated Absences Payable	0	0	0	0	0	0
Retainage Payable	0	354,287	0	0	354,287	0
Intergovernmental Payable	201,069	55,467	2,261	14,149	272,946	0
Accrued Interest Payable	1,066,879	158,477	0	4,317	1,229,673	0
Claims Payable	0	0	0	0	0	295,276
Due To Other Funds	0	0	0	55,000	55,000	0
Bond Anticipation Note Payable	0	3,700,000	0	0	3,700,000	0
OWDA Loans Payable	1,137,955	473,242	0	13,389	1,624,586	0
Bresler Reservoir Termination Agreement	142,082	0	0	0	142,082	0
General Obligation Bonds Payable (Net, where applicable of unamortized premiums/discounts)	0	329,120	0	0	329,120	0
<i>Total Current Liabilities</i>	<u>3,189,788</u>	<u>5,601,187</u>	<u>226,205</u>	<u>136,841</u>	<u>9,154,021</u>	<u>335,166</u>
<i>Current Liabilities Payable from Restricted Assets:</i>						
Revenue Bonds Payable (Net, where applicable of unamortized premiums/discounts)	388,050	1,239,183	0	0	1,627,233	0
Refundable Deposits	571,659	0	0	0	571,659	0
Accrued Interest Payable	16,022	128,372	0	0	144,394	0
<i>Total Current Liabilities Payable from Restricted Assets</i>	<u>975,731</u>	<u>1,367,555</u>	<u>0</u>	<u>0</u>	<u>2,343,286</u>	<u>0</u>
<i>Long-Term Liabilities:</i>						
Compensated Absences Payable (Net of Current Portion)	463,633	396,141	20,303	74,005	954,082	0
Bond Anticipation Note Payable (Net of Current Portion)	890,663	290,663	0	0	1,181,326	0
OWDA Loans Payable (Net of Current Portion)	49,596,499	5,052,287	0	260,310	54,909,096	0
Bresler Reservoir Termination Agreement	994,580	0	0	0	994,580	0
General Obligation Bonds Payable (Net of Current Portion, and where applicable, of unamortized premiums/discounts)	0	4,325,189	0	0	4,325,189	0
Revenue Bonds Payable (Net of Current Portion and where applicable, of unamortized premiums/discounts)	4,989,934	33,848,116	0	0	38,838,050	0
<i>Total Long-Term Liabilities</i>	<u>56,935,309</u>	<u>43,912,396</u>	<u>20,303</u>	<u>334,315</u>	<u>101,202,323</u>	<u>0</u>
<i>Total Liabilities</i>	<u>61,100,828</u>	<u>50,881,138</u>	<u>246,508</u>	<u>471,156</u>	<u>112,699,630</u>	<u>335,166</u>
Net Position						
Net Investment in Capital Assets	10,819,780	17,684,887	0	5,221,671	33,726,338	0
Unrestricted	5,115,840	11,366,406	1,957,802	4,334,776	22,774,824	2,103,318
<i>Total Net Position</i>	<u>\$ 15,935,620</u>	<u>\$ 29,051,293</u>	<u>\$ 1,957,802</u>	<u>\$ 9,556,447</u>	<u>56,501,162</u>	<u>\$ 2,103,318</u>

Net position reported for business-type activities in the statement of net position are different because they include accumulated overpayments to the internal service funds:

532,752

Net Position of Business-Type Activities

\$ 57,033,914

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

CITY OF LIMA
Allen County, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water	Total	
Operating Revenues						
Charges for Services	\$ 13,740,634	\$ 11,310,031	\$ 2,797,914	\$ 2,357,550	\$ 30,206,129	\$ 5,907,501
Other Operating Revenues	925,852	766,028	166,207	662	1,858,749	780,881
<i>Total Operating Revenues</i>	<u>14,666,486</u>	<u>12,076,059</u>	<u>2,964,121</u>	<u>2,358,212</u>	<u>32,064,878</u>	<u>6,688,382</u>
Operating Expenses						
Salaries	2,769,070	2,243,172	91,546	564,929	5,668,717	0
Fringe Benefits	1,097,090	912,006	32,316	273,803	2,315,215	0
Claims Expense	0	0	0	0	0	4,951,993
Other Services and Charges	5,066,704	3,420,779	2,432,748	386,688	11,306,919	1,374,993
Depreciation	2,816,774	2,126,777	0	283,471	5,227,022	0
<i>Operating Income (Loss)</i>	<u>2,916,848</u>	<u>3,373,325</u>	<u>407,511</u>	<u>849,321</u>	<u>7,547,005</u>	<u>361,396</u>
Non-Operating Revenues (Expenses)						
Gain (Loss) on Disposal of Capital Assets	0	(15,376)	0	0	(15,376)	0
Rebates on RZ and BAB Bonds	0	198,789	0	0	198,789	0
Tap-in Fees	46,066	0	0	0	46,066	0
Premium on Bond Anticipation Note	6,855	30,715	0	0	37,570	0
Contributed Capital	0	205,000	0	83,816	288,816	0
Investment Income	27,047	15,722	0	0	42,769	0
Miscellaneous	39,028	28,101	1,219	7,366	75,714	0
Interest and Fiscal Charges	(2,356,451)	(1,592,515)	0	(8,738)	(3,957,704)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(2,237,455)</u>	<u>(1,129,564)</u>	<u>1,219</u>	<u>82,444</u>	<u>(3,283,356)</u>	<u>0</u>
<i>Change in Net Position</i>	679,393	2,243,761	408,730	931,765	4,263,649	361,396
<i>Net Position - Beginning of Year (Restated, see Note 2)</i>	<u>15,256,227</u>	<u>26,807,532</u>	<u>1,549,072</u>	<u>8,624,682</u>		<u>1,741,922</u>
<i>Net Position - End of Year</i>	<u>\$ 15,935,620</u>	<u>\$ 29,051,293</u>	<u>\$ 1,957,802</u>	<u>\$ 9,556,447</u>		<u>\$ 2,103,318</u>

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of the internal service funds is reported with business-type activities.

283,278

Change in Net Position of Business-Type Activities

\$ 4,546,927

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

CITY OF LIMA
Allen County, Ohio

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds					Governmental Activities
	Water	Sewer	Refuse	Storm Water	Total	Internal Service Funds
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 13,251,209	\$ 10,563,462	\$ 2,837,914	\$ 2,132,367	\$ 28,784,952	\$ 5,909,252
Other Cash Receipts	925,852	766,028	166,207	662	1,858,749	780,880
Cash Payments to Employees for Services	(2,753,974)	(2,237,319)	(91,307)	(564,262)	(5,646,862)	0
Cash Payments for Employee Benefits	(1,127,317)	(917,531)	(33,638)	(274,936)	(2,353,422)	0
Cash Payments for Other Services and Charges	(5,011,934)	(3,155,256)	(2,428,494)	(372,381)	(10,968,065)	(1,414,913)
Cash Payments for Claims	0	0	0	0	0	(5,088,748)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>5,283,836</u>	<u>5,019,384</u>	<u>450,682</u>	<u>921,450</u>	<u>11,675,352</u>	<u>186,471</u>
Cash Flows from Noncapital Financing Activities						
Cash Received from BWC Reimbursement	39,028	28,101	1,218	7,367	75,714	0
Due (To) From Other Funds	0	131,000	0	(131,000)	0	0
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<u>39,028</u>	<u>159,101</u>	<u>1,218</u>	<u>(123,633)</u>	<u>75,714</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Cash Received from Tap-in Fees	46,066	0	0	0	46,066	0
Proceeds from OWDA Loan	0	104,646	0	0	104,646	0
Proceeds from Bond Anticipation Notes	890,663	3,990,663	0	0	4,881,326	0
Premium on Bond Anticipation Notes	6,855	30,715	0	0	37,570	0
Proceeds from Revenue Bond Issue	0	15,935,000	0	0	15,935,000	0
Premium on Revenue Bond Issue	0	739,050	0	0	739,050	0
Rebate on Build America Bonds	0	198,789	0	0	198,789	0
Principal Paid on OWDA Debt	(1,093,338)	(423,222)	0	(12,975)	(1,529,535)	0
Principal Paid on General Obligation Bonds	0	(320,000)	0	0	(320,000)	0
Principal Paid on Revenue Bonds	(385,000)	(945,000)	0	0	(1,330,000)	0
Principal Paid on Bresler Reservoir Termination Agreement	(142,082)	0	0	0	(142,082)	0
Principal Paid on Capital Lease	(2,290)	(2,290)	0	0	(4,580)	0
Interest Paid on Debt Obligation	(2,376,552)	(1,511,799)	0	(8,943)	(3,897,294)	0
Payments for Capital Acquisitions	(838,934)	(4,561,864)	0	(890,653)	(6,291,451)	0
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>(3,894,612)</u>	<u>13,234,688</u>	<u>0</u>	<u>(912,571)</u>	<u>8,427,505</u>	<u>0</u>
Cash Flows from Investing Activities						
Interest from Investments	27,047	15,722	0	0	42,769	0
<i>Net Cash Provided by (Used In) Investing Activities</i>	<u>27,047</u>	<u>15,722</u>	<u>0</u>	<u>0</u>	<u>42,769</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	1,455,299	18,428,895	451,900	(114,754)	20,221,340	186,471
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,377,237</u>	<u>7,647,574</u>	<u>1,108,393</u>	<u>731,061</u>	<u>14,864,265</u>	<u>2,170,558</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 6,832,536</u>	<u>\$ 26,076,469</u>	<u>\$ 1,560,293</u>	<u>\$ 616,307</u>	<u>\$ 35,085,605</u>	<u>\$ 2,357,029</u>

(continued)

CITY OF LIMA
Allen County, Ohio

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water	Total	
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities						
Operating Gain (Loss)	\$ 2,916,848	\$ 3,373,325	\$ 407,511	\$ 849,321	\$ 7,547,005	\$ 361,396
Adjustments:						
Depreciation	2,816,774	2,126,777	0	283,471	5,227,022	0
(Increase) Decrease in Assets:						
Accounts Receivable	(546,438)	(743,167)	40,000	(225,183)	(1,474,788)	1,750
Materials and Supplies Inventory	5,910	(1,701)	0	0	4,209	(39,518)
Prepaid Items	13,774	12,322	1,175	(800)	26,471	0
Increase (Decrease) in Liabilities:						
Accounts Payable	195,664	(12,779)	3,079	(6,993)	178,971	(402)
Contracts Payable	(121,210)	110,167	0	22,100	11,057	0
Retainage Payable	0	154,112	0	0	154,112	0
Accrued Wages	15,096	5,853	239	667	21,855	0
Compensated Absences Payable	(41,472)	(4,698)	(1,257)	(214)	(47,641)	0
Intergovernmental Payable	11,245	(827)	(65)	(919)	9,434	0
Refundable Deposits	17,645	0	0	0	17,645	0
Claims Payable	0	0	0	0	0	(136,755)
<i>Net Cash Provided by (Used In) Operating Activities</i>	<u>\$ 5,283,836</u>	<u>\$ 5,019,384</u>	<u>\$ 450,682</u>	<u>\$ 921,450</u>	<u>\$ 11,675,352</u>	<u>\$ 186,471</u>

Non-cash Capital Transactions

As of December 31, 2014, the Sewer Fund received capital assets purchased by the ALL-Lima WWTP PID 85500 Fund, a governmental fund-type, in the amount of \$205,000. The Storm Water Fund also received capital assets purchased by the ALL-Lima WWTP PID 85500 Fund in the amount of \$83,816. These amounts are included in capital contributions.

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

CITY OF LIMA
Allen County, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

	<u>Agency</u>
Assets	
Equity Pooled in Cash and Cash Equivalents	\$ 236,339
Cash and Cash Equivalents in Segregated Accounts	547,456
Accounts Receivable	<u>2,033,635</u>
<i>Total Assets</i>	<u>2,817,430</u>
Liabilities	
Intergovernmental Payable	28,316
Undistributed Monies	2,581,091
Deposits Held and Due to Others	<u>208,023</u>
<i>Total Liabilities</i>	<u>\$ 2,817,430</u>

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 1: REPORTING ENTITY

The City of Lima (the “City”) is a home rule municipal corporation, established under the laws of the State of Ohio, which operates under its own charter. The municipal government, provided by the charter, operates under a mayor-council form of government. Legislative power is vested in an eight-member council, each elected to four-year terms. The Mayor, City Auditor and Director of Law are each elected to four-year terms. The Mayor appoints all officers, members of commissions and classified and unclassified positions in the departments under his control. Other elected officials appoint classified and unclassified positions in their departments.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City of Lima consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City is segmented into many different activities and smaller accounting entities. These include police force, fire fighting force, street maintenance force, park and recreation system, which includes a swimming pool, a water system, a sewer system, a refuse force and storm water system.

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

The City is associated with certain organizations which are defined as joint ventures, jointly governed organizations, and insurance pools. These organizations are presented in Notes 10(B), 21, and 22 of this basic financial statement. These organizations are Ohio Plan Risk Management, Lima-Allen County Downtown Construction, Lima-Allen County Regional Planning Commission, and Lima-Allen County Joint Parking Commission.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental and enterprise 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the City's major governmental fund:

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

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, net position and cash flows. The following are the City's proprietary fund type:

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The sewer, water, refuse and storm water funds are the City's major enterprise funds.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water Fund – The water fund accounts for the provision of water service to the residents and commercial users located within the City.

Refuse Fund – The refuse fund accounts for the provision of refuse collection and disposal to residential customers within the City.

Storm Water Fund – The storm water fund accounts for the provision of storm water management to the residents and commercial users located within the City.

Internal Service Funds – The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The internal service fund accounts for the City's self-insured health insurance and gasoline provided to department of the City.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for security deposits, fire bond deposits, Municipal Court activity, building fees and the Law Library Resource Board.

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days after year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Pooled Cash and Cash Equivalents

Cash received by the City, except cash held by a trustee or fiscal agent and cash in segregated accounts, is pooled in a common group of bank accounts. Monies for all funds are maintained in these accounts. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented as "Cash and Cash Equivalents with Fiscal and Escrow Agents" and represents deposits. Cash and cash equivalents that are held separately by the City's Municipal Court funds are recorded as "Cash and Cash Equivalents in Segregated Accounts." Cash and cash equivalents held separately by fiscal agents which are limited in use due to applicable bond agreements are recorded as "Restricted Cash and Cash Equivalents with Fiscal and Escrow Agents." Money held by the City which represents utility deposits is presented as "Restricted Equity in Pooled Cash and Cash Equivalents."

Investments are reported at fair value which is based on quoted market prices. During 2014, the City invested in US Government securities, including Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Prime Money Market Funds.

The City records all investment income in the General Fund except for interest earned on monies held by trustee in accordance with the bond covenants, state statutes and grant requirements. Investment income credited to the General Fund during 2014 amounted to \$165,892 which includes \$133,819 assigned from other City funds.

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

For the purposes of the combined statements of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies.

H. Notes Receivable

Notes receivable represents the right to receive repayment for certain loans made by the City. The loans are based upon written agreements between the City and the various loan recipients.

I. Deferred Outflows of Resources

A deferred outflow of resources is a consumption of assets by the City that is applicable to a future reporting period.

On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as a deferred outflow of resources. The difference between the reacquisition price (funds required to refund the old debt) and the net carrying value of the refunded debt is an economic gain or loss, and is treated as a deferred charge on refunding. This deferred charge is reported as a deferred outflow on the Statement of Net Position and is being amortized as a component of interest expense over the shorter of the life of the refunded debt or refunding debt.

J. Restricted Assets/Liabilities

Certain resources set aside for debt repayment, classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants, are recorded as "Restricted Cash and Cash Equivalents with Fiscal and Escrow Agents."

The city has utility deposits from customers that are classified as restricted cash and cash equivalents on the balance sheet because their use is limited to the payment of unpaid utility bills or the refunding of the deposit to the customer.

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Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	45 - 50 Years	45 - 50 Years
Machinery and Equipment	5 - 20 Years	5 - 20 Years
Furniture	20 Years	20 Years
Infrastructure	12 - 75 Years	12 - 75 Years
Vehicles	5 - 10 Years	5 - 10 Years
Water and Sewer Lines		30 - 99 Years
Storm Water Infrastructure		40 Years

The City's infrastructure consists of roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, sewer systems, and water systems.

Capitalization of Interest

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The City capitalized interest in the amount of \$52,335 during 2014 associated with the Ohio Water Development Authority (OWDA) loan used for the wastewater treatment plant improvements.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. These amounts are eliminated in the governmental columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Amounts between funds for manuscript debt activity are reported as "due to/from other funds" on the fund financial statements.

On fund financial statements, long-term interfund loans reported as "advances to/from other funds" are equally offset by nonspendable fund balance which indicates that they do not constitute "available expendable financial resources" even though it is a component of net current assets. Repayment is expected to be made within a reasonable time.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as a termination benefit.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

N. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

O. Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of assets by the City that is applicable to a future reporting period. On the Statement of Net Position, property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2014, are also recorded as deferred inflows of resources in governmental funds.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

P. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

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

The City does not have a formal policy dictating the order of use of fund balance. Thus, it considers restricted amounts used first, followed by committed, assigned and unassigned. City Council is the City's highest level of decision making. Fund balance commitments are established, modified, or rescinded by City Council action through passage of an ordinance. Assigned fund balance includes amounts that have an intended use by City Council or the Mayor. Intent for the use of assigned amounts is demonstrated through passage of appropriation ordinances or encumbrances.

Q. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes consists primarily of monies held for law enforcement and education.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues include charges for services for water, sewer, refuse and storm water services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

CITY OF LIMA
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, of grants or outside contributions of resources restricted to capital acquisition and construction.

T. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

V. Estimates

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

W. Budgetary Data

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 a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the salaries, fringes, expenditures and capital level within each department in the general fund and the enterprise funds. The legal level of control is also set at the salaries, fringes, expenditures and capital level for several special revenue funds: the Street Repair fund, Recreational Activity fund and the CDBG fund. The level of control is at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. 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 the final appropriations were enacted by Council.

The appropriations 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 year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

X. Restatement of Prior Year Net Position

Net position at December 31, 2013 has been restated for corrections to the City's capital assets. Adjustments were made to land, improvements, buildings, equipment, vehicles, infrastructure, construction in process, and related depreciation expense. The restatement of net position is presented below.

	Governmental Activities	Business-Type Activities	Total
Net Position, 12/31/2013	\$ 72,404,963	\$ 52,502,484	\$ 124,907,447
Restatement of Capital Assets	(643,162)	(15,497)	(658,659)
Restated Net Position, 1/1/2014	\$ 71,761,801	\$ 52,486,987	\$ 124,248,788

This restatement also had the following effect on enterprise fund net positions as previously reported:

	Enterprise Funds		
	Water Fund	Sewer Fund	Storm Water Fund
Net Position, 12/31/2013	\$ 15,215,349	\$ 26,876,447	\$ 8,612,142
Restatement of Capital Assets	40,878	(68,915)	12,540
Restated Net Position, 1/1/2014	\$ 15,256,227	\$ 26,807,532	\$ 8,624,682

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	General Fund
GAAP Basis	\$ 409,619
Adjustments:	
Net adjustment for revenue accruals	(360,098)
Advances in	1,810
Net adjustment for expenditure accruals	88,661
Advances out	27,003
Encumbrances	(922,477)
Budget basis	\$ (755,482)

NOTE 4: DEPOSITS AND INVESTMENTS

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

CITY OF LIMA
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

State statutes classify monies held by the City 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 City 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 Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be invested in the following:

1. United States Treasury Notes, Bills, Bonds, Notes, or any other obligation or security issued by the United States or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve (STAROhio);
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

The City may also invest any monies not required to be used for a period of six months or more in the following:

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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 City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Cash and Cash Equivalents in Segregated Accounts: At year end, the City had \$547,456 deposited with a financial institution for monies related to the Municipal Court agency fund. This amount is included in the City's depository balance below.

Cash and Cash Equivalents with Fiscal and Escrow Agents: At year end, the City had \$3,409,061 on deposit with financial institutions for escrow accounts and bond and coupon payments. These amounts are included in the City's depository balance below.

A. Deposits

At December 31, 2014, the carrying amount of all City deposits was \$42,073,592 and the bank balance of all City deposits was \$42,945,079. Of the bank balance, \$31,993,605 was exposed to custodial risk as discussed below and \$10,951,474 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. The City has no policy for custodial credit risk beyond the requirements of State statute.

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Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

B. Investments

As of December 31, 2014, the City had the following investments and maturities:

Investment	Fair Value	Investment Maturity		% Total Investments	Moody
		less than 1	1 to 5 Years		
Federal Home Loan Bank	\$ 5,003,150	\$ 0	\$ 5,003,150	47.5%	AAA
Federal National Mortgage Association	3,474,645	0	3,474,645	33.0%	AAA
Federal Home Loan Mortgage Corporation	1,000,600	0	1,000,600	9.5%	AAA
Prime Money Market Funds	1,052,141	1,052,141	0	10.0%	Aaa-mf
	<u>\$ 10,530,536</u>	<u>\$ 1,052,141</u>	<u>\$ 9,478,395</u>	<u>100.0%</u>	

Interest Rate Risk – To limit its exposure to fair value losses arising from rising interest rates and in keeping with its investment policy, the City does not invest in any security with a remaining term to final maturity of more than five years.

Credit Risk – As of December 31, 2014, Moody’s rated the City’s investments in Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation bonds as AAA. The City’s investment in Prime Money Market Funds is rated Aaa-mf by Moody’s.

Custodial Credit Risk – The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by the City at December 31, 2014.

NOTE 5: INCOME TAX

The City levies and collects an income tax of 1.5 percent on all income earned within the City as well as incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax at least quarterly and file a final return annually. Income tax proceeds are used to pay the cost of administering the tax and for General Fund operations and other governmental functions when needed, as determined by Council.

NOTE 6: PROPERTY TAXES

Property taxes include amounts levied against all real and public property, and tangible personal property located in the City. Real property tax revenues received in 2014 represent the collection of 2013 taxes. For 2014, real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. These taxes will be collected in and are intended to finance 2014 operations. Assessed values for real property taxes are established by the State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2009. Real property taxes are payable annually or semiannually. The first payment is due December

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property were levied after October 1, 2013, on the assessed values as of December 31, 2012, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2014 was \$3.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$ 216,715,910
Commercial/Industrial	133,665,320
Public Utilities	169,130
Public Utility	<u>21,397,400</u>
Total	<u>\$ 371,947,760</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lima. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2014, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable remains deferred inflows of resources.

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Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

NOTE 7: FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below.

	General Fund	Other Governmental Funds	Total
Nonspendable for:			
Unclaimed Monies	\$ 339,050	\$ 0	\$ 339,050
Prepays	115,013	6,312	121,325
Inventory	0	60,978	60,978
Advances to Other Funds	31,297	0	31,297
Total Nonspendable	<u>485,360</u>	<u>67,290</u>	<u>552,650</u>
Restricted for:			
Street Repair and Improvements	0	503,993	503,993
Law Enforcement Activities	0	681,433	681,433
Law Enforcement Equipment	0	69,561	69,561
Parks Equipment	0	1,450	1,450
Fire Vehicles	0	4,835	4,835
Community Development	0	323,245	323,245
DARE Program	0	86,918	86,918
Federal HOME Program Activities	0	696,974	696,974
Various Lighting Improvements	0	31,194	31,194
Various Land Improvements	0	21,063	21,063
Various Building Improvements	0	284,690	284,690
Municipal Court Projects	0	676,260	676,260
Fire and EMS Projects	0	50,238	50,238
Transportation Capital Projects	0	94,770	94,770
Alcohol/Drug Treatment Education	0	669,834	669,834
Other Purposes	0	51,000	51,000
Total Restricted	<u>0</u>	<u>4,247,458</u>	<u>4,247,458</u>
Committed to:			
Recreation Activities and Improvement	0	59,071	59,071
Property and Maintenance Services	0	41,589	41,589
Traffic and Parking Services	0	323,338	323,338
Travel and Tourism Support	0	578,147	578,147
Total Committed	<u>0</u>	<u>1,002,145</u>	<u>1,002,145</u>
Assigned for:			
Debt Services	0	327,255	327,255
G-TV 2 Operations	0	5,169	5,169
Vehicle and Asset Repairs	32,947	0	32,947
Parks Improvements	54,062	0	54,062
Other Purposes	0	131,818	131,818
Encumbrances:			
General Government	146,908	0	146,908
Security of Persons and Property	189,943	0	189,943
Leisure Time Services	8,559	0	8,559
Transportation	81,552	0	81,552
Capital Outlay	208,104	0	208,104
Subsequent Year Appropriations	1,760,583	0	1,760,583
Total Assigned	<u>2,482,658</u>	<u>464,242</u>	<u>2,946,900</u>
Unassigned (Deficit)	<u>7,136,340</u>	<u>(59,655)</u>	<u>7,076,685</u>
Total Fund Balance (Deficit)	<u>\$ 10,104,358</u>	<u>\$ 5,721,480</u>	<u>\$ 15,825,838</u>

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

NOTE 8: RECEIVABLES

Receivables at December 31, 2014 consisted of taxes, utility accounts, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments, and notes. All receipts are considered to be fully collectible including utility services. A summary of taxes receivable follows:

	Amount
Governmental Activities:	
Real Estate Tax	\$ 1,181,423
Municipal Income Tax	3,374,806
Other Local Taxes	60,700
Total Taxes Receivable	\$ 4,616,929

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Homestead/Rollback	\$ 74,697
Local Government	470,000
Motor Vehicle License Tax	129,500
Gasoline Excise Tax	497,000
Permissive Tax	140,000
COPS 2011-UMWX0143	29,530
Home Program Grant	19,600
Community Development Block Grants	290,771
COPS 2013UMWX0144 School Resource	11,524
STEP-2015-2-00-00-00579-00	361
IDEP-2015-2-00-00-00400-00	1,254
Safe Neighborhood Anti-Herion Grant	48,097
Issue I State Fund	561,091
ALL-Lima RR Grade, PID 80441	5,780
ALL-Lima Bikepath, PID 92337	12,288
Total Intergovernmental Receivable	\$ 2,291,493

A summary of utility accounts receivable is as follows:

	Amount
Business-type Activities	
Water	\$ 2,363,945
Sewer	3,220,073
Refuse	641,398
Storm Water	3,211,153
Total Accounts Receivable	\$ 9,436,569

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For the Year Ended December 31, 2014
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Notes receivable represent low interest notes for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant, the Community Housing Improvement Program, and the Urban Development Action Grant. The notes bear interest at an annual rate of 7 to 8 percent. The notes are to be repaid over periods ranging from five to fifteen years. The gross notes receivable are \$613,019 with uncollectible of \$245,401 at December 31, 2014. The notes are recorded net of an allowance for uncollectibles in the amount of \$367,618.

NOTE 9: CAPITAL ASSETS

The capital asset balances of the governmental and business-type activities have been restated due to corrections made by the City during the year. The restatement is presented below:

	Balance 12/31/2013	Adjustments	Restated Balance 1/1/2014
<u>Governmental Activities</u>			
Land	\$ 6,692,002	\$ (173,893)	\$ 6,518,109
Construction in Process	1,289,989	0	1,289,989
Improvements	3,010,828	(550,091)	2,460,737
Buildings	13,882,849	(97,115)	13,785,734
Machinery and Equipment	5,083,274	(400,018)	4,683,256
Furniture and Fixtures	74,500	7,386	81,886
Vehicles	6,883,873	764,883	7,648,756
Infrastructure	74,757,167	0	74,757,167
Accumulated Depreciation	(53,612,563)	(194,314)	(53,806,877)
Total	<u>\$ 58,061,919</u>	<u>\$ (643,162)</u>	<u>\$ 57,418,757</u>
<u>Business-Type Activities</u>			
Land	\$ 5,254,044	\$ 0	\$ 5,254,044
Construction in Process	10,144,212	(448,748)	9,695,464
Improvements	19,018,657	222,007	19,240,664
Buildings	74,803,453	(10,476)	74,792,977
Machinery and Equipment	30,462,337	(1,604,650)	28,857,687
Furniture and Fixtures	46,597	(11,547)	35,050
Vehicles	5,302,962	13,537	5,316,499
Capitalized Interest	5,816,128	0	5,816,128
Intangibles	317,988	1	317,989
Infrastructure	53,268,998	61,082	53,330,080
Accumulated Depreciation	(81,671,803)	1,763,298	(79,908,505)
Total	<u>\$ 122,763,573</u>	<u>\$ (15,496)</u>	<u>\$ 122,748,077</u>

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For the Year Ended December 31, 2014
(Continued)

A summary of changes in capital assets during 2014 follows:

	Restated Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 6,518,109	\$ 118,376	\$ (91,379)	\$ 6,545,106
Construction in Progress	1,289,989	4,578,903	(2,180,860)	3,688,032
Total Capital Assets, not being depreciated	7,808,098	4,697,279	(2,272,239)	10,233,138
<i>Capital Assets, being depreciated:</i>				
Buildings	13,785,734	452,321	0	14,238,055
Improvements	2,460,737	0	0	2,460,737
Machinery and Equipment	4,683,256	632,741	(189,200)	5,126,797
Furniture and Fixtures	81,886	5,121	0	87,007
Vehicles	7,648,756	223,366	(362,628)	7,509,494
Infrastructure				
Roads	37,267,835	683,183	0	37,951,018
Sidewalks	3,861,840	462,369	0	4,324,209
Bridges	18,386,092	0	0	18,386,092
Signals and Traffic Lights	7,957,548	434,425	0	8,391,973
Curbs	5,840,477	0	0	5,840,477
Rail Sidings	1,443,375	0	0	1,443,375
Total Capital Assets, being depreciated	103,417,536	2,893,526	(551,828)	105,759,234
<i>Less Accumulated Depreciation:</i>				
Buildings	(6,930,932)	(278,055)	0	(7,208,987)
Improvements	(1,603,202)	(101,003)	0	(1,704,205)
Machinery and Equipment	(3,347,407)	(283,230)	180,495	(3,450,142)
Furniture and Fixtures	(46,850)	(3,145)	0	(49,995)
Vehicles	(5,974,525)	(581,340)	362,628	(6,193,237)
Infrastructure				
Roads	(25,920,365)	(1,922,572)	0	(27,842,937)
Sidewalks	(576,787)	(99,436)	0	(676,223)
Bridges	(1,768,874)	(339,106)	0	(2,107,980)
Signals and Traffic Lights	(3,941,781)	(427,646)	0	(4,369,427)
Curbs	(3,257,126)	(146,012)	0	(3,403,138)
Rail Sidings	(439,028)	(72,169)	0	(511,197)
Total Accumulated Depreciation	(53,806,877)	(4,253,714)	543,123	(57,517,468)
Total Capital Assets being depreciated, net	49,610,659	(1,360,188)	(8,705)	48,241,766
Governmental Activities				
Capital Assets, Net	\$ 57,418,757	\$ 3,337,091	\$ (2,280,944)	\$ 58,474,904

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For the Year Ended December 31, 2014
(Continued)

	Restated Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 5,254,044	\$ 0	\$ 0	\$ 5,254,044
Construction in Progress	9,695,464	6,173,269	(7,527,047)	8,341,686
Total Capital Assets, not being depreciated	14,949,508	6,173,269	(7,527,047)	13,595,730
<i>Capital Assets, being depreciated:</i>				
Improvements	19,240,664	24,286	0	19,264,950
Buildings	74,792,977	0	0	74,792,977
Machinery and Equipment	28,857,687	3,645,806	(167,386)	32,336,107
Furniture and Fixtures	35,050	0	0	35,050
Vehicles	5,316,499	240,736	0	5,557,235
Capitalized Interest	5,816,128	52,335	0	5,868,463
Intangible Assets	317,989	0	0	317,989
Infrastructure:				
Storm Water Infrastructure	4,168,826	609,283	0	4,778,109
Sewer Lines	23,497,395	3,212,456	0	26,709,851
Water Lines	25,663,859	149,144	0	25,813,003
Total Capital Assets, being depreciated	187,707,074	7,934,046	(167,386)	195,473,734
<i>Less Accumulated Depreciation:</i>				
Improvements	(3,042,269)	(944,140)	0	(3,986,409)
Buildings	(25,926,598)	(1,570,662)	0	(27,497,260)
Machinery and Equipment	(16,121,033)	(1,402,941)	152,008	(17,371,966)
Furniture and Fixtures	(18,042)	(1,773)	0	(19,815)
Vehicles	(4,099,598)	(490,487)	0	(4,590,085)
Capitalized Interest	(3,485,592)	(108,079)	0	(3,593,671)
Intangible Assets	(317,988)	0	0	(317,988)
Infrastructure:				
Storm Water Infrastructure	(328,313)	(107,997)	0	(436,310)
Sewer Lines	(14,744,878)	(260,596)	0	(15,005,474)
Water Lines	(11,824,194)	(340,347)	0	(12,164,541)
Total Accumulated Depreciation	(79,908,505)	(5,227,022)	152,008	(84,983,519)
Total Capital Assets being depreciated, net	107,798,569	2,707,024	(15,378)	110,490,215
Business-Type Activities				
Capital Assets, Net	\$ 122,748,077	\$ 8,880,293	\$ (7,542,425)	\$ 124,085,945

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For the Year Ended December 31, 2014
(Continued)

During the year, the City transferred \$288,816 from capital outlay of the governmental activities to the business-type activities. The transfer is recorded as contributed capital in the business-type activities.

Depreciation expense was charged to functions as follows:

	<u>Depreciation</u>
<i>Governmental Activities:</i>	
General Government	\$ 116,493
Security of Persons and Property	593,170
Leisure Time Activities	147,005
Community Environment	37,281
Transportation	3,359,765
	\$ 4,253,714
 <i>Business-Type Activities:</i>	
Water Fund	\$ 2,816,774
Sewer Fund	2,126,777
Storm Water Fund	283,471
	\$ 5,227,022

NOTE 10: RISK MANAGEMENT

A. Self Insurance Program

The City has elected to provide employee medical and life benefits through a self-insured program. All funds of the City participate in the program and make payments to the Health Benefits Internal Service Fund based on the amounts needed to pay prior and current year claims. This plan provides a medical plan with a \$200 single and a \$400 family deductible for all employees. Under this program, the fund provides coverage for up to a maximum of \$100,000 for each individual. The City purchases stop-loss coverage for claims in excess of \$100,000 and up to a maximum of \$1,000,000. Settled claims have not exceeded stop-loss coverage for the last three years. The City utilizes a third party administrator to review all claims, which are then paid by the City.

Claims payable is based on the requirements of the Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated claim adjustment expenses. Claims payable as of December 31, 2014, is estimated based on past experience in payment of claims at \$295,276.

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2013	284,101	4,883,934	4,736,004	432,031
2014	432,031	4,951,993	5,088,748	295,276

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

B. Other Insurance Coverage

The City belongs to the Ohio Plan Risk Management, Inc. (“OPRM”) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

The OPRM’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2014 and 2013 (latest information available):

	<u>2014</u>	<u>2013</u>
Assets	\$ 14,830,185	\$ 13,774,304
Liabilities	(8,942,504)	(7,968,395)
Members' Equity	<u>\$ 5,887,681</u>	<u>\$ 5,805,909</u>

The complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

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For the Year Ended December 31, 2014
(Continued)

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014 the City contracted with a third party for insurance as follows:

Stolly Insurance Agency, Inc.		Deductible
Building and Contents	\$ 127,125,051	*
General Liability	\$ 8,000,000	*
Boiler and Machinery	\$ 30,000,000	\$10,000
Inland Marine	\$ 6,071,981	*
Law Enforcement Officer's	\$ 8,000,000	*
Professional Liability	\$ 8,000,000	*
Auto Liability	\$ 8,000,000	*
Commercial Blanket Bond	\$ 8,000,000	*
Employee Benefit Liability	\$ 8,000,000	*
Public Officials Liability	\$ 8,000,000	none

* The combined insurance coverage includes a specific occurrence deductible of \$25,000

Settled claims have not exceeded coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Accidental life insurance is provided to each employee in the amount of \$20,000.

NOTE 11: COMPENSATED ABSENCES

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory approval. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at the rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit. Each employee at the time of retirement from active service within the City is paid 33 percent of their accrued but unused sick leave, up to a maximum of fifty accrued sick days.

Unpaid compensated absences at year end are reported on the Statement of Net Position, Governmental Activities, in the amount of \$4,297 due within one year and \$2,548,821 due in more than one year. Unpaid compensated absences for Business-Type Activities as of year end are reported on the Statement of Net Position as \$954,082 due in more than one year.

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For the Year Ended December 31, 2014
(Continued)

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: (1) The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; (2) The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings; and (3) The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety officers participate in only the Traditional Pension Plan.

The 2014 member contribution rates were 10.00% of earnable salary for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00%, respectively.

The 2014 employer contribution rate for state and local employers was 14.0% of earnable salary, of which 12.0% was allocated to defined benefit pension. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll. The City's contributions to OPERS for the years ended December 31, 2014, 2013, and 2012 were \$1,550,780, \$1,591,346, and \$1,665,597, respectively. 97% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and

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For the Year Ended December 31, 2014
(Continued)

required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters, of which 16.9% for police officers and 21.90% for firefighters was allocated to defined benefit pension. The City's contributions to the OP&F for the years ending December 31, 2014, 2013, and 2012 were \$1,833,004, \$1,918,248, and \$1,833,868, respectively. 97% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

NOTE 13: POST-EMPLOYMENT BENEFITS

A. Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate 14.00% of earnable salary and public safety

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(Continued)

and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions to fund post-employment benefits for the years ended December 2014, 2013 and 2012 were \$258,360, \$122,411 and \$475,861, respectively. 97% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

B. Ohio Police and Fire Pension Fund

Plan Description – The City of Lima contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents. OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to

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For the Year Ended December 31, 2014
(Continued)

the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2014 through December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustee's primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F for the years ending December 31, 2014, 2013 and 2012 were \$1,833,004, \$1,918,248, and \$1,833,868, respectively, of which \$46,054, \$318,472, and \$568,059, respectively, was allocated to the healthcare plan. 97% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

NOTE 14: LONG-TERM OBLIGATIONS

The changes in the City's long-term obligations during 2014 were as follows:

	Interest Rate %	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Governmental Activities						
<i>Unvoted General Obligation Bonds</i>						
2004 YMCA Parking Lot Project	2.00-4.50	\$ 15,000	\$ 0	\$ 15,000	\$ 0	\$ 0
Unamortized Premium		75	0	75	0	0
2010 Lighting Improvement GO RZ Bonds	5.22	830,000	0	95,000	735,000	95,000
2011 Various Purpose	3.5	768,500	0	99,000	669,500	102,500
2012 Various Purpose	1.00-3.00	1,650,000	0	235,000	1,415,000	245,000
Unamortized Premium		28,873	0	4,457	24,416	4,810
<i>Total Unvoted General Obligation Bonds</i>		<u>3,292,448</u>	<u>0</u>	<u>448,532</u>	<u>2,843,916</u>	<u>447,310</u>
<i>Bond Anticipation Notes</i>						
LAN Room Project	1.25	0	1,168,674	0	1,168,674	0
Fire Truck	1.25	0	450,000	0	450,000	0
Ambulance	1.25	0	220,000	0	220,000	0
Fire Station Improvements	1.25	0	195,000	0	195,000	0
<i>Total Bond Anticipation Notes</i>		<u>0</u>	<u>2,033,674</u>	<u>0</u>	<u>2,033,674</u>	<u>0</u>
<i>Other Long-Term Obligations</i>						
Compensated Absences		2,327,665	2,553,118	2,327,665	2,553,118	4,297
Capital Lease - Cisco Phone System	4.69	4,581	0	4,581	0	0
Capital Lease - Ambulance	4.75	27,944	0	27,944	0	0
Capital Lease - Mailing System	12	0	6,606	760	5,846	1,124
Capital Lease - Copier	9.704	2,717	0	1,009	1,708	1,111
Judgment Payable		110,000	0	0	110,000	110,000
		<u>2,472,907</u>	<u>2,559,724</u>	<u>2,361,959</u>	<u>2,670,672</u>	<u>116,532</u>
Total Governmental Long Term Liabilities		<u>\$ 5,765,355</u>	<u>\$ 4,593,398</u>	<u>\$ 2,810,491</u>	<u>\$ 7,548,262</u>	<u>\$ 563,842</u>

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For the Year Ended December 31, 2014
(Continued)

	Interest Rate %	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Business-Type Activities						
<i>General Obligation Bonds</i>						
2004 Sewer	2.00-4.50	\$ 215,000	\$ 0	\$ 215,000	\$ 0	\$ 0
Unamortized Premium		1,113	0	1,113	0	0
2012 Sewer Refunding	1.00-3.00	3,015,000	0	50,000	2,965,000	270,000
Refunding Premium		49,505	0	821	48,684	4,433
2012 Sewer Improvement	1.00-3.50	1,705,000	0	55,000	1,650,000	55,000
Unamortized Discount		(9,688)	313	0	(9,375)	(313)
<i>Total General Obligation Bonds</i>		<u>4,975,930</u>	<u>313</u>	<u>321,934</u>	<u>4,654,309</u>	<u>329,120</u>
<i>Revenue Bonds</i>						
2009 Sewer Improvement Tax-Exempt	2.00-2.50	450,000	0	450,000	0	0
Unamortized Premium		6,820	0	6,820	0	0
2009 Sewer Improvement Taxable BAB		10,250,000	0	0	10,250,000	465,000
2010 Sewer Improvement Tax-Exempt		8,705,000	0	495,000	8,210,000	505,000
Unamortized Discount		(49,570)	2,819	0	(46,751)	(2,876)
2014 Sewer Improvements Tax-Exempt		0	15,935,000	0	15,935,000	260,000
Unamortized Premium		0	739,050	0	739,050	12,059
2010 Water Improvement Tax-Exempt		5,790,000	0	385,000	5,405,000	390,000
Unamortized Discount		(28,941)	1,925	0	(27,016)	(1,950)
<i>Total Revenue Bonds</i>		<u>25,123,309</u>	<u>16,678,794</u>	<u>1,336,820</u>	<u>40,465,283</u>	<u>1,627,233</u>
<i>Bond Anticipation Notes</i>						
LAN Room Project - Water Fund Portion	1.25	0	290,663	0	290,663	0
LAN Room Project - Sewer Fund Portion	1.25	0	290,663	0	290,663	0
Westminster Water Line	1.25	0	600,000	0	600,000	0
Lift Stations Project	1.25	0	3,700,000	0	3,700,000	3,700,000
<i>Total Bond Anticipation Notes</i>		<u>0</u>	<u>4,881,326</u>	<u>0</u>	<u>4,881,326</u>	<u>3,700,000</u>
<i>Other Long-Term Obligations</i>						
Bresler Termination Agreement	0	1,278,744	0	142,082	1,136,662	142,082
OWDA Loan - Reservoir	4.32	29,860,875	0	547,698	29,313,177	571,614
OWDA Loan - Carbon Filter Project	3.83	16,592,407	0	312,790	16,279,617	324,886
OWDA Loan - Wastewater Upgrades	3.75	3,561,741	0	389,517	3,172,224	404,261
OWDA Loan - Bresler Pump Station	3.49	2,001,973	0	135,986	1,865,987	140,774
OWDA Loan - Elevated Storage Tank	4.64	2,708,055	0	48,188	2,659,867	50,450
OWDA Loan - Softening Basin	3.17	664,482	0	48,675	615,807	50,230
OWDA Loan - Interceptor	3.09	2,282,364	52,311	33,705	2,300,970	68,981
OWDA Loan - WWTP Improvements	2.54	0	52,335	0	52,335	0
OWDA Loan - Storm Water Project	3.25	240,409	0	10,791	229,618	11,146
OWDA Loan - Storm Water Project II	2.66	46,264	0	2,184	44,080	2,243
Capital Lease - Cisco Phone System						
Water Fund Portion	4.69	2,290	0	2,290	0	0
Sewer Fund Portion	4.69	2,290	0	2,290	0	0
Compensated Absences		1,001,723	954,082	1,001,723	954,082	0
		<u>60,243,617</u>	<u>1,058,728</u>	<u>2,677,919</u>	<u>58,624,426</u>	<u>1,766,667</u>
Total Business-Type Activities						
Long Term Liabilities		<u>\$ 90,342,856</u>	<u>\$ 22,619,161</u>	<u>\$ 4,336,673</u>	<u>\$ 108,625,344</u>	<u>\$ 7,423,020</u>

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Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

A. General Obligation Bonds

2004 General Obligation Bonds

In 2004, the City issued various purpose general obligation bonds in the amount of \$200,000 for a YMCA parking lot project. The bond issues consist of serial bonds which are not subject to early redemption. A portion of the bonds were refunded in 2012. The remaining bonds were repaid in 2014.

2004 General Obligation Bonds

In 2004, the City issued general obligation bonds in the amount of \$4.575 million for wastewater treatment lab and sewer screen projects. The bond issue consists of serial bonds which are not subject to early redemption. A portion of the original issue was refunded in 2012. The remaining bonds were repaid in 2014.

2010 General Obligation Recovery Zone Bonds

In July 2010, the City issued general obligation recovery zone bonds in the amount of \$1.125 million for lighting improvements. The bond issues consist of term bonds which are not subject to early redemption. The bonds will mature in 2021.

In April 2011, the City issued various purpose general obligation bonds in the amount of \$1.06 million to retire bond anticipation notes as well as fund several small capital projects and equipment purchases. The bond issues consist of serial bonds which are not subject to early redemption. These bonds will mature in 2020.

2012 General Obligation Bonds

In September 2012, the City issued various purpose improvement and refunding bonds in the total amount of \$6.81 million for the following purposes: \$515,000 bonds were issued to refund the 1999 parking garage general obligation bonds; \$90,000 bonds were issued to refund a portion of 2004 parking lot bond bonds as noted above; \$1,380,000 bonds were issued for various improvement projects within the governmental activities of the City; \$3,065,000 bonds were issued to refund a portion of 2004 general obligation bonds issued for wastewater system projects; and \$1,760,000 bonds were issued for the North Collett Street sewer project. The bond issue consists of serial and term bonds which are not subject to early redemption. The bonds have final maturity in 2037.

All general obligation bonds are supported by the full faith and credit of the City. General obligation bonds presented as a liability in the statement of net position for governmental activities will be retired through the general or debt service fund from general governmental activities revenue. General obligation bonds presented as a liability in the statement of net position for business-type activities will be retired through the City's water and sewer utility funds.

B. Special Assessment Bonds

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be

CITY OF LIMA
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

received and the debt will be retired through the Special Assessment Bond Retirement Debt Service Fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments. The City also issues special assessments between funds. The assessments due in one year are included in Interfund Receivables/Payables, and the amounts due in excess of one year are included in Due to/from Other Funds. The Debt Service Fund made principal payments in the amount of \$106,235 towards these interfund assessments. See Note 16(A) for additional disclosure.

C. Judgment Payable

The judgment payable represents amounts due to Allen County in settlement of a court case involving the jailing of City inmates at the County jail. The judgment will be paid from the General Fund.

D. Revenue Bonds

2009 Sewer Improvement Bonds

In December 2009, the City issued \$12.4 million combined issue of tax-exempt and taxable Build American Bonds (BAB) for the purpose of sewer system improvements. The bond issues consist of serial and term bonds which are not subject to early redemption. The bonds have final maturity in 2029.

2010 Improvement Bonds

In May 2010, the City issued tax-exempt improvement bonds in the amount of \$7.085 million for water system improvements, assist in the construction of new above ground reservoir and acquiring buildings for the department. The City also issued \$10.355 million tax-exempt bonds for sanitary sewer system improvements as well assist in acquiring buildings for the department. The bond issues consist of serial and term bonds which are not subject to early redemption. The bonds have final maturity in 2029.

2014 Sewer Improvement Bonds

In December 2014, the City issued tax-exempt improvement bonds in the amount of \$15.935 million for sanitary sewer system improvements. The bond issues consist of serial and term bonds which are not subject to early redemption. The bonds have final maturity in 2044.

The revenue bonds pledge enterprise fund income derived from the acquired and constructed assets to pay debt service. The bond indenture has certain restrictive covenants which principally require that bond reserve accounts be maintained, and charges for services to customers are in sufficient amounts, as defined, to satisfy the obligations under the indenture. In addition, special provisions exist regarding covenant violations, redemptions of principal, and maintenance of properties. In conjunction with the issuance of the revenue refunding bonds, the City entered into a trust agreement with a commercial bank. This trust agreement, along with the bond indenture, requires that the City establish various accounts for the repayment of debt. The restricted assets in the water and sewer funds are held by the trustees in accordance with the trust agreement.

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

E. Bond Anticipation Notes

The bond anticipation notes represent short-term amounts borrowed by the City to pay for improvements in anticipation of issuing new bonds. During 2014, \$1,750,000 in bond anticipation notes were issued for LAN Project, \$600,000 in notes were issued for the Westminster water line project, \$3,700,000 in notes were issued for sanitary sewer lift stations improvements, and \$865,000 in notes were issued for fire station improvements, fire truck and an ambulance. Of the total notes issued, \$3,215,000 is included in Due in More Than One Year as the notes were refinanced in a March 2015 bond anticipation note (see Note 23).

F. Bresler Termination Agreement

The Bresler Termination agreement ends the City's joint agreement with the State of Ohio. The original agreement was formed when Bresler Reservoir was constructed in 1970. The State paid for a percentage of the construction and thus retained rights to a portion of the water in the reservoir. In 2003, in order to obtain the State's claim on that water, the City agreed to repay the State's share of the construction costs over a twenty-year period at zero percent interest. The total amount to be repaid is \$2,841,646.

G. Ohio Water Development Authority (OWDA) Loans

In 1999 the City's sewer utility entered into a loan agreement with OWDA to fund improvements to the City's wastewater treatment plant. The City's sewer system revenue will be used for repayment of the loan.

In 2009 the City's water utility entered into a loan agreement with OWDA to fund the construction of a new above ground reservoir. The City's water system revenue will be used for repayment of the loan.

In 2009 the City's storm water utility entered into a loan agreement with OWDA to fund storm sewer infrastructure. A supplemental OWDA loan was obtained in 2010. The City's storm water revenue will be used for repayment of the loan.

In 2010 the City's water utility entered into a loan agreement with OWDA to fund construction of a carbon filter system at the water treatment plant. The maximum available under this agreement is \$16,834,815. As of December 31, 2014 the City had requested total draws of \$15,990,681, and capitalized interest of \$753,727. The City's water system revenue will be used for repayment of the loan.

In 2011 the City's water utility entered into a loan agreement with OWDA to fund construction on an elevated water storage tank. The maximum available under this agreement is \$2,895,556. As of December 31, 2014 the City had requested total draws of 2,631,250, and capitalized interest of \$100,083. The City's water system revenue will be used for repayment of the loan.

In 2011 the City's water utility entered into a loan agreement with OWDA to fund an upgrade project on a pump station at the Bresler reservoir and other water treatment plant improvements. The maximum available under this agreement is \$2,535,492. As of December 31, 2014 the City had

CITY OF LIMA
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

requested total draws of \$2,128,623, and capitalized interest of \$4,712. The City's water system revenue will be used for repayment of the loan.

In 2012 the City's water utility entered into a loan agreement with OWDA to fund softening basin improvements at the water treatment plant. The maximum available under this agreement is \$889,904. As of December 31, 2014 the City had requested total draws of \$711,630, and capitalized interest of \$19. The City's water system revenue will be used for repayment of the loan.

In 2013 the City's sewer utility entered into a loan agreement with OWDA to fund construction on an interceptor. The maximum available under this agreement is 2,895,566. As of December 31, 2014 the City had requested total draws of 2,282,364, including capitalized interest of \$32,665. The City's sewer system revenue will be used for repayment of the loan.

In 2014 the City's sewer utility entered into a loan agreement with OWDA to fund construction on Wastewater Treatment Plant improvements. The maximum available under this agreement is \$15,000,000. As of December 31, 2014 the City had not drawn on the loan principal, but capitalized interest and fees of \$52,335. The City's sewer system revenue will be used for repayment of the loan.

The loans for the carbon filter system, the elevated water storage tank, the softening basin, the interceptor project and the Bresler pump station are currently in repayment; however repayment schedules have not been finalized with OWDA. Annual debt retirement schedules have been estimated and included below based upon the terms of each loan. The loan for the wastewater treatment plant improvements project is not complete and therefore, the debt retirement schedule is not included below.

The annual requirements to retire governmental activities debt are as follows:

Year Ending December 31,	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 452,500	\$ 91,756	\$ 544,256
2016	480,500	78,078	558,578
2017	389,500	65,963	455,463
2018	378,500	51,565	430,065
2019	402,500	38,872	441,372
2020 - 2024	581,000	54,459	635,459
2025 - 2029	75,000	15,915	90,915
2030 - 2032	60,000	3,600	63,600
Total	<u>\$ 2,819,500</u>	<u>\$ 400,208</u>	<u>\$ 3,219,708</u>

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The annual requirements to retire business-type activities debt are as follows:

	Bresler Termination Agreement		General Obligation (Gross)		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 142,082	\$ 0	\$ 325,000	\$ 111,273	\$ 1,624,584	\$ 2,344,750
2016	142,082	0	335,000	104,803	1,688,911	2,280,476
2017	142,082	0	335,000	101,143	1,755,810	2,213,631
2018	142,082	0	350,000	91,038	1,825,384	2,144,112
2019	142,082	0	350,000	84,076	1,897,743	2,071,811
2020 - 2024	426,252	0	1,870,000	292,164	9,046,383	9,243,924
2025 - 2029	0	0	360,000	145,565	8,629,086	7,452,891
2030 - 2034	0	0	410,000	90,900	10,175,978	5,522,434
2035 - 2039	0	0	280,000	19,775	12,451,521	3,227,430
2040 - 2043	0	0	0	0	7,385,944	645,436
Total	<u>\$ 1,136,662</u>	<u>\$ 0</u>	<u>\$ 4,615,000</u>	<u>\$ 1,040,737</u>	<u>\$ 56,481,344</u>	<u>\$ 37,146,895</u>

	Revenue Bonds (Gross)		Total	
	Principal	Interest	Principal	Interest
2015	\$ 1,620,000	\$ 1,732,735	\$ 3,711,666	\$ 4,188,758
2016	1,690,000	1,726,049	3,855,993	4,111,328
2017	1,740,000	1,668,621	3,972,892	3,983,395
2018	1,810,000	1,603,680	4,127,466	3,838,830
2019	1,875,000	1,534,704	4,264,825	3,690,591
2020 - 2024	9,065,000	6,479,087	20,407,635	16,015,175
2025 - 2029	11,570,000	4,048,471	20,559,086	11,646,927
2030 - 2034	2,765,000	1,961,000	13,350,978	7,574,334
2035 - 2039	3,460,000	1,267,000	16,191,521	4,514,205
2040 - 2044	4,205,000	517,600	11,590,944	1,163,036
Total	<u>\$ 39,800,000</u>	<u>\$ 22,538,947</u>	<u>\$ 102,033,006</u>	<u>\$ 60,726,579</u>

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For the Year Ended December 31, 2014
(Continued)

NOTE 15: CAPITAL LEASES – LESSEE DISCLOSURE

The City entered into a capital lease in 2009 for a new VoIP phone system from Cisco. This lease meets the criteria of a capital lease pursuant to generally accepted accounting principles. Capital lease payments are reflected as debt service expenditures in the governmental fund statements and as a reduction of the liability in the entity wide statements and enterprise fund statements. A capital asset has been recorded in the amount of \$491,016 and allocated 50% to governmental activities, 25% to the water fund and 25% to the sewer fund. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the long term liabilities section of the entity wide statements and enterprise fund statements. Principal payments in 2014 totaled \$4,581 in governmental-type activities and \$4,580 in business-type activities. Capital lease payments in governmental funds are reflected as program expenditures. The lease has been paid in full.

The City entered into a capital lease in 2010 to purchase a new ambulance for the City’s fire department. This lease meets the criteria of a capital lease pursuant to generally accepted accounting principles. A capital asset has been recorded in the government-type activities section in the amount of \$128,383. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the long term liabilities section of the entity-wide statements. Principal payments in 2014 totaled \$27,944 and the lease is paid in full.

The City entered into a capital lease in 2011 to purchase a new copier for the City's fire department. This lease meets the criteria of a capital lease pursuant to generally accepted accounting principles. A capital asset has been recorded in the government-type activities section in the amount of \$4,850. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the long term liabilities section of the entity wide statements. Principal payments in 2014 totaled \$1,009.

The City entered into a capital lease in 2014 to purchase a new mailing system for the City's municipal building. This lease meets the criteria of a capital lease pursuant to generally accepted accounting principles. A capital asset has been recorded in the government-type activities section in the amount of \$6,606. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the long term liabilities section of the entity wide statements. Principal payments in 2014 totaled \$760.

The schedule of future minimum lease payments required for all capital leases is as follows:

Year Ending December 31,	Governmental Activities
2015	3,004
2016	2,390
2017	1,776
2018	1,776
2019	444
Total Minimum Lease Payments	9,390
Less: Amount Representing Interest	(1,836)
Present Value of Minimum Lease Payments	\$ 7,554

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

NOTE 16: INTERFUND TRANSACTIONS

A. Interfund Transactions

Interfund transactions are used by the City to fund small special assessment projects. As of December 31, 2014, balance sheet receivable and payables that resulted from interfund transactions for governmental manuscript debt and the reimbursement of expenditures in enterprise funds were as follows:

	Interfund Receivable	Interfund Payable	Due to Other Funds	Due from Other Funds
Governmental Funds				
Other Governmental Funds				
Debt Service Fund	\$ 114,700	\$ 0	\$ 206,850	\$ 0
Special Assessments Fund	0	114,700	0	206,850
Total Governmental Funds	<u>114,700</u>	<u>114,700</u>	<u>206,850</u>	<u>206,850</u>
Business-Type Funds				
Storm Water Fund	0	0	55,000	0
Sewer Fund	0	0	0	55,000
Total Business-Type Funds	<u>0</u>	<u>0</u>	<u>55,000</u>	<u>55,000</u>
Total All Funds	<u>\$ 114,700</u>	<u>\$ 114,700</u>	<u>\$ 261,850</u>	<u>\$ 261,850</u>

B. Reconciliation of Interfund Transfers

	Transfers-In	Transfers-Out
Governmental Funds		
General Fund	\$ 0	\$ 599,850
Other Governmental Funds		
Federal Block Grants	4,746	0
Ohio Moving Forward Grant	111,671	0
Capital Projects Funds	59,460	0
Special Assessments Debt Service Fund	483,433	59,460
Total Governmental Funds	<u>\$ 659,310</u>	<u>\$ 659,310</u>

Transfer was made from the General Fund to the Federal Block Grants Fund for repayment of wages applied to the grant fund in error in prior year. Transfer was made from the General Fund to the Ohio Moving Forward Grant Fund for the local share of expenditures. Transfer was made from the General Fund to the Special Assessment Debt Service Fund for repayment on debt obligations. The transfer between the Special Assessment Debt Service Fund and Capital Projects Fund is related to the interfund liability for manuscript debt.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

C. Advances To/From Other Funds Transactions

As of December 31, 2014, advances to and from other fund transactions to eliminate negative cash positions were as follows:

	Advances to Other Funds	Advances From Other Funds
Governmental Funds		
General Fund	\$ 31,297	\$ 0
Other Governmental Funds		
STEP Grant Fund	0	362
IDEP Grant Fund	0	1,254
2012-DJ-BX-0148 JAG grant	0	2,234
2013-DJ-BX-0197 JAG grant	0	9,590
ALL-Lima Bike PID92337	0	4,294
Special Assessment Debt Service	0	13,563
Total Other Governmental Funds	0	31,297
Total All Funds	\$ 31,297	\$ 31,297

NOTE 17: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources at December 31, 2014 consisted of the following:

	Statement of Net Position	Balance Sheet
Property Taxes	\$ 901,798	\$ 1,181,423
Income Taxes	0	2,258,834
Grants	0	1,103,259
Special Assessments	8,976,898	8,976,898
Totals	\$ 9,878,696	\$ 13,520,414

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

NOTE 18: COMMITMENTS

A. Contractual Commitments

As of December 31, 2014, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Remaining Balance
Lift Station Improvements	\$ 275,000	\$ 101,250	\$ 173,750
Sewer System Improvements	4,595,228	2,667,078	1,928,150
Ottawa River Feasibility Study	369,000	0	369,000
Various Street Resurfacing	250,000	0	250,000
Fire Stations Improvements	230,759	0	230,759
Hall of Justice Renovations	1,212,343	982,508	229,835
	\$ 6,932,330	\$ 3,750,836	\$ 3,181,494

B. Encumbrance Commitments

As of December 31, 2014, the City has the following significant outstanding encumbrances:

Fund	Amount
General Fund	\$ 922,477
Nonmajor Governmental Funds	
Street Repair Fund	251,317
CHIP Housing Improvement	465,012
CDBG Block Grant	376,358
EMW-2013-FO-01282 FEMA	230,759
	\$ 2,245,923

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

NOTE 19: CONTINGENT LIABILITIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are 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 effect on the overall financial position of the City at December 31, 2014.

B. Litigation

As of December 31, 2014, the City was a party to various legal proceedings seeking damages or injunctive relief, arising in the course of ordinary business. The ultimate disposition of these proceedings is not presently determinable, but will not, in the opinion of the City Attorney, have a material adverse effect on the overall financial condition of the City.

In addition to the above, the City had been notified by the United States Environmental Protection Agency (USEPA) that it was required to eliminate wastewater contamination to the Ottawa River, Allen County, Ohio. On November 19, 2014, the City, the USEPA and the State of Ohio filed a consent decree in Federal District Court. On January 13, 2015 the Federal District Court signed off on the consent decree making it a legally binding document. The consent decree obligates the City to a series of capital projects over the next 24 years. While these projects may have a material effect on the City's financial statements, the decree does provide some flexibility to modify the agreement if the financial impact is deemed to be too great.

NOTE 20: ACCOUNTABILITY AND COMPLIANCE

Fund balances at December 31, 2014 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
Weed/Property Cleanup	\$ 33,197
2012-DJ-BX-0148 JAG Grant	3,064
2013-DJ-BX-0197 JAG Grant	9,589
Special Assessments	949
ALL-LIMA BIKE, PID 92337	4,294
Special Assessment Debt Service	<u>8,562</u>
	<u>\$ 59,655</u>

The deficits in these nonmajor governmental funds resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

NOTE 21: JOINT VENTURE

Lima-Allen County Downtown Construction

The County and the City of Lima (City) entered into a joint funding agreement for the construction and funding of certain facilities, including the expansion of the Veteran's Memorial Civic and Convention Center, a parking garage, and a pedestrian overhead walkway (skywalk) from the Civic Center addition to the parking garage. The Civic Center expansion and the skywalk were constructed by and are owned by the County. The parking garage was constructed by and is owned by the City.

The operation and maintenance costs associated with the skywalk and the parking garage are the joint responsibility of the County and the City. The City and the County share equally the net revenue/(loss) derived from the garage. Complete financial information can be obtained from the Allen County Commissioners, Becky Saine, County Administrator, Allen County, Ohio.

The City of Lima has agreed to enter into a long-term lease agreement with the County offering the County a one-half ownership interest in the parking garage, which will be operated and maintained by the Lima-Allen County Joint Parking Commission, in accordance with the rules and regulations established for the JPC (Note 22). As of December 31, 2014 this lease has not been entered into.

NOTE 22: JOINTLY GOVERNED ORGANIZATIONS

A. Lima-Allen County Regional Planning Commission

The Lima-Allen County Regional Planning Commission is a political organization as established and set forth under Section 713.21 et seq. of the Ohio Revised Code. Representation on the Commission consists of six delegates and six alternates appointed by the Allen County Board of Commissioners, one delegate and one alternate for each 5,000 persons determined by the last federal decennial census from each municipal corporation and each of the townships participating in the Commission; provided that in no event shall any cooperating municipality or township have less than one delegate and one alternate to the Commission.

Each participating municipality and township contributes in each calendar year twenty cents per capita according to the latest federal census. Duties of the Commission include making studies, maps, plans and other reports of the County and adjoining areas, showing recommendations for systems of transportation highways, park and recreational facilities, water supply, sewerage disposal, garbage disposal, civic centers and other public improvements and land uses which affect the development of the region.

The Commission has the authority to employ an Executive Director, engineers, accountants, attorneys, planners and others as may be necessary and set their compensation. Complete financial statements can be obtained from Marlene Schumaker, Grant Coordinator at the Lima-Allen County Regional Planning Commission, Allen County, Ohio.

CITY OF LIMA
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

B. Lima-Allen County Joint Parking Commission

The County and the City of Lima have established a joint parking commission (JPC) which will be responsible for developing and implementing a joint City-County parking system for the Central Business District in Lima, and will have management control over the downtown parking garage and various downtown surface lots placed under the administration of the JPC by the respective parties. The JPC establishes policies for the operation of the parking system under its control, including rates to be charged.

The JPC is comprised of two members, one appointed by the Mayor of the City of Lima, and one appointed by the President of the Board of County Commissioners.

NOTE 23: SUBSEQUENT EVENTS

In March 2015, the City issued a \$4,295,000 various purpose bond anticipation notes for the purchase of equipment and vehicles for the Fire, Police and Streets Departments, acquiring and installing a generator at the City's Hall of Justice/Municipal Building, as well as lighting and fencing projects at the City's Simmons Field. Of the note proceeds, \$3,215,000 will refund a portion of the 2014 bond anticipation note and \$1,080,000 is new issue.

In March 2015, the City completed the repayment of bond anticipation notes in the amount of \$3,700,000 from the proceeds of the Sewer Improvement Revenue Bonds issued in December 2014. The bond anticipation notes in this amount are therefore presented as a current liability on the Statement of Net Position, Proprietary Funds.

In April 2015, the City signed a \$2.3 million contract with VTF Excavation for construction in the ALL-Lima-Kibby Street Project which includes full-depth reconstruction of certain roadway. The project is funded with Federal, State and local monies.

In July 2015, the City signed an agreement with the Ohio Water Development Authority on a loan for the construction, maintenance and operation of the Upstream Regulators Sewer Separation Project as part of the City's USEPA Consent Decree. The maximum available is \$3.5 million. Subsequently in August 2015, a \$2.8 million contract was signed with Underground Utilities and Construction Inc. to perform work on the project.

CITY OF LIMA
ALLEN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor / Program Title	CFDA Number	Agency or Pass-Through Number	Federal Disbursements
U. S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grant - Entitlement	14.218	B12-MC-39-0014	\$399,584
Community Development Block Grant - Entitlement	14.218	B13-MC-39-0014	414,038
Total Community Development Block Grant - Entitlement			<u>813,622</u>
Home Investment Partnership Program	14.239	M13-MC-39-0219	27,164
Total U.S. Department of Housing and Urban Development			<u>840,786</u>
U.S. Department of Justice			
<i>Passed through Ohio Office of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-3248	13,457
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0148	22,108
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0197	10,019
Total Edward Byrne Memorial Justice Assistance Grants			<u>45,584</u>
Public Safety Partnership and Community Policing Grant	16.710	2011 UMWX0143	90,319
Public Safety Partnership and Community Policing Grant	16.710	2013 UMWX0144	25,245
Total Public Safety Partnership and Community Policing Grants			<u>115,564</u>
Total U.S. Department of Justice			<u>161,148</u>
U.S. Department of Transportation			
<i>Passed through Ohio Department of Public Safety</i>			
National Priority Safety Program - Impaired Driving Enforcement Program	20.616	IDEP-2015-2-00-00-00400-00	1,254
State and Community Highway Safety - Selective Traffic Enforcement Program	20.600	STEP 2015-2-00-00-00579-00	361
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction - Lima Railroad Grade Separation	20.205	PID-80441	89,192
Highway Planning and Construction - Lima Traffic Study	20.205	PID-90948	1,080,000
Highway Planning and Construction - Lima Traffic Study	20.205	PID-90949	21,050
Highway Planning and Construction - Bellefontaine/Market Corridor	20.205	PID-89397	281,635
Highway Planning and Construction - Lima Bike Path Phase 5	20.205	PID-92337	421,275
Highway Planning and Construction - Lima WWTP	20.205	PID 85500	205,000
Total Highway Planning and Construction Grants			<u>2,098,152</u>
Total U.S. Department of Transportation			<u>2,099,767</u>
U.S. Department of Homeland Security			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2010-FP-00569	39
Assistance to Firefighters Grant	97.044	EMW-2011-FO-03805	2,802
Total Assistance to Firefighters Grants			<u>2,841</u>
Total U.S. Department of Homeland Security			<u>2,841</u>
Total Federal Financial Assistance			<u>\$3,104,542</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**LIMA ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the City of Lima's (the City) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

City of Lima
Allen County
50 Town Square
Lima, Ohio 45801

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lima, Allen County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Lima
Allen County
50 Town Square
Lima, Ohio 45801

To the Members of Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Lima's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Lima's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance of the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Lima complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2015

**CITY OF LIMA
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction Grant CFDA# 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CITY OF LIMA

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
DECEMBER 10, 2015**