



Dave Yost • Auditor of State

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lima – Allen County Regional Planning Commission
Allen County
130 W. North Street
Lima, Ohio 45801

To the Commission Members

Report on the Financial Statements

We have audited the accompanying financial statements of the Lima-Allen County Regional Planning Commission, Allen County, Ohio (the Commission), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission'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 Commission'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 Commission'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lima-Allen County Regional Planning Commission, Allen County Ohio, as of June 30, 2015, and the respective changes in financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68. We did not modify our opinion regarding this matter.

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*, and schedules of net pension liabilities and pension contributions 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 Commission's basic financial statements taken as a whole.

The schedule of expenses by element on page 32 and the schedule of direct labor, fringe benefits, and general overhead on page 33 present additional analysis and are not a required part of the basic financial statements.

We did not subject schedule of expenses by element and the schedule of direct labor, fringe benefits, and general overhead to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016, on our consideration of the Commission'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 Commission'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

June 20, 2016

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**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management's discussion and analysis of the Lima-Allen County Regional Planning Commission's (the "Commission") financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2015 are as follows:

- The Commission's total net position decreased by \$25,821 from \$19,826 at June 30, 2014 to a deficit \$5,995 at June 30, 2015.
- Total assets decreased \$19,516 from June 30, 2014, despite an increase of \$44,108 in cash on hand.
- Total liabilities increased \$13,546 from June 30, 2014.
- Operating revenues decreased \$60,149, operating expenses decreased \$15,051, non-operating revenues increased \$8,701 and non-operating expenses decreased \$196. The total change in net position for the 2015 fiscal year was a decrease of \$25,821 compared to an increase of \$10,380 for fiscal year 2014.

Using this Annual Financial Report

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Commission as a financial whole, an entire operating entity.

Statement of Net Position

The Statement of Net Position examines how well the Commission has performed financially from inception through June 30, 2015. This statement includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position balances using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This form of accounting takes in to account all revenues earned and expenses incurred during the 12-month period, regardless as to when the cash is received or expended.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 15-28 of this report.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's net pension liability. The required supplementary information can be found on pages 29-31 of this report.

The statement of net position serves as a useful indicator of a government's financial position. Net position has been restated as described in Note 3 of the notes to the basic financial statements. The table below provides a summary of the Commission's net position for fiscal years 2015 and 2014.

| Net Position | | |
|----------------------------------|-------------|----------------------------|
| | 2015 | (Restated) 2014 |
| Assets: | | |
| Current assets | \$221,650 | \$222,998 |
| Non-current assets | 252,774 | 270,942 |
| Total assets | 474,424 | 493,940 |
| Deferred outflows of resources | 49,109 | 28,449 |
| Liabilities: | | |
| Current liabilities | 66,803 | 63,200 |
| Non-current liabilities | 437,433 | 427,490 |
| Total liabilities | 504,236 | 490,690 |
| Deferred inflows | 25,292 | 11,873 |
| Net Position: | | |
| Net investment in capital assets | 252,774 | 270,942 |
| Unrestricted (deficit) | (258,769) | (251,116) |
| Total net position (deficit) | (\$5,995) | \$19,826 |

During fiscal year 2015, the Commission adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Commission's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Commission's proportionate share of each plan's collective:

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Commission is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Commission's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Commission is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from \$397,946 to \$19,826.

Net position decreased by \$25,821 for the current fiscal year. The Commission disposed of equipment that had no useful life left during fiscal year 2015. The Commission no longer carries any long-term debt.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reports operating and nonoperating activities for the fiscal year ended June 30, 2015.

Net position has been restated as described in Note 3 of the notes to the basic financial statements. The following table shows the changes in net position for fiscal years 2015 and 2014.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

| Change in Net Position | | |
|--|-------------|-------------|
| | 2015 | 2014 |
| Revenues: | | |
| Federal | \$462,433 | \$450,077 |
| State | 65,531 | 69,186 |
| Fees | 118,299 | 118,298 |
| Local | 85,707 | 145,857 |
| Total revenues | 731,970 | 783,418 |
| Expenses: | | |
| Direct labor | 296,290 | 299,924 |
| Other direct | 55,115 | 51,334 |
| Indirect | 406,386 | 421,780 |
| Total expenses | 757,791 | 773,038 |
| Change in net position | (25,821) | 10,380 |
| Net position at beginning of year (restated) | 19,826 | N/A |
| Net position (deficit) at end of year | (\$5,995) | \$19,826 |

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available.

Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the fiscal year 2015 statements report pension expense of \$38,210. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

| | |
|--|------------|
| Total 2015 program expenses under GASB 68 | \$757,791 |
| Pension expense under GASB 68 | (38,210) |
| 2015 contractually required contributions subsequent to the measurement date | 26,914 |
| Adjusted 2015 program expenses | 746,495 |
| Total 2014 program expenses under GASB 27 | 773,038 |
| Decrease in program expenses not related to pension | (\$26,543) |

The Commission had an increase of \$12,356 in federal funds and a decrease of \$3,655 in State funds for fiscal year 2015. Local revenues consisting of lots splits, sustainability initiative and other work that is paid for, etc., had a considerable decrease of \$60,150 in fiscal year 2015. Total revenue overall was down \$51,448 from fiscal year 2014. Expenses for fiscal year 2015 decreased by \$15,247 from fiscal year 2014. Direct labor costs and indirect costs decreased by \$3,634 and \$15,394, respectively, in fiscal year 2015 from prior year.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

Capital Assets

At the year-end, the Commission had \$252,774 (net of accumulated depreciation) invested in land, buildings, building improvements, office equipment, furniture, computer software and vehicles. The following table shows capital asset balances, net of accumulated depreciation, at June 30, 2015 compared to June 30, 2014:

| Capital Assets at June 30 (Net of Depreciation) | | |
|--|-------------|-------------|
| | 2015 | 2014 |
| Land | \$35,500 | \$35,500 |
| Buildings and improvements | 190,245 | 201,447 |
| Office equipment and furniture | 25,280 | 31,247 |
| Computer software | 1,749 | 2,748 |
| Totals | \$252,774 | \$270,942 |

See Note 4 to the basic financial statements for further detail on the Commission's capital assets.

Long-Term Obligations

The Commission had the following long-term obligations outstanding at June 30, 2015 and 2014:

| Long-Term Obligations at June 30 | | |
|---|------------|------------|
| | 2015 | 2014 |
| Compensated absences payable | \$ 44,766 | \$ 42,906 |
| Net pension liability | 415,965 | 406,569 |
| Total | \$ 460,731 | \$ 449,475 |

At June 30, 2015, \$23,298 of the Commission's long-term obligations for compensated absences payable are due within one year and therefore considered a current liability. The remainder of the compensated absences payable and the entire amount of the net pension liability is considered due in more than one year.

See Note 5 to the basic financial statements for further detail on the Commission's long-term obligations.

Current Financial Issues

The Commission is extremely dependent upon intergovernmental revenues (Federal and State grants) provided by the Federal and State government through the State of Ohio; approximately 72.13 percent of the Commission's total revenue in fiscal year 2015 was received from Federal and State sources, up from 66.28 percent in fiscal year 2014 and 62.75 percent in fiscal year 2013. The Commission's financial position has been maintained by careful control of expenses in past years. The Commission is vulnerable to changes in Federal and State grant program incomes, and increases in fixed costs which are becoming much harder to control.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(UNAUDITED)
(Continued)**

Contacting the Commission's Financial Management

This financial summary is designed to provide our funding sources and member governments as well as the local citizenry with an overview of the Commission's finances and to document the Commission's accountability for the monies it receives. Questions about this report or for additional financial information contact the Grants Administrator at the Lima-Allen County Regional Planning Commission, 130 West North St., Lima, Ohio 45801 or call 419-228-1836, or by e-mail to mschumaker@lacrpc.com.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

| | |
|--|-------------------------|
| Assets: | |
| Current assets: | |
| Cash | \$109,865 |
| Receivables: | |
| Intergovernmental receivables: | |
| Ohio department of transportation | 3,349 |
| Ohio department of public safety | 14,929 |
| Surface transportation program | 48,061 |
| Office of transit | 15,493 |
| Local assessment | 7,754 |
| Other | 4,979 |
| Pre-payments | 17,220 |
| Total current assets | <u>221,650</u> |
| Non-current assets: | |
| Capital assets: | |
| Land | 35,500 |
| Depreciable capital assets, net | 217,274 |
| Total non-current assets | <u>252,774</u> |
| Total assets | <u>474,424</u> |
| | |
| Deferred outflows of resources: | |
| Pension - OPERS | <u>49,109</u> |
| | |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 2,315 |
| Accrued wages and benefits | 41,190 |
| Compensated absences payable - current | 23,298 |
| Total current liabilities | <u>66,803</u> |
| | |
| Non-current liabilities: | |
| Compensated absences payable | 21,468 |
| Net Pension Liability | 415,965 |
| Total non-current liabilities | <u>437,433</u> |
| Total liabilities | <u>504,236</u> |
| | |
| Deferred inflows of resources: | |
| Local revenue not available | 2,732 |
| Pension - OPERS | 22,560 |
| Total deferred inflows of resources | <u>25,292</u> |
| | |
| Net position: | |
| Investment in capital assets | 252,774 |
| Unrestricted | (258,769) |
| Total net position | <u><u>(\$5,995)</u></u> |

See accompanying notes to the basic financial statements.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Operating revenues:

| | |
|------------------------------|----------------|
| Fees charged to subdivisions | \$118,299 |
| Local revenues | 85,707 |
| Total operating revenues | <u>204,006</u> |

Operating expenses:

| | |
|--------------------------|----------------|
| Salaries and wages | 374,733 |
| Employee benefits | 214,354 |
| Occupancy and other | 146,941 |
| Depreciation | 21,763 |
| Total operating expenses | <u>757,791</u> |

| | |
|----------------|------------------|
| Operating loss | <u>(553,785)</u> |
|----------------|------------------|

Non-operating revenues:

| | |
|------------------------------|----------------|
| Intergovernmental | 527,964 |
| Total non-operating revenues | <u>527,964</u> |

| | |
|------------------------|----------|
| Change in net position | (25,821) |
|------------------------|----------|

| | |
|---|---------------|
| Net position at beginning of year (restated note 3) | <u>19,826</u> |
|---|---------------|

| | |
|---------------------------------------|-------------------------|
| Net position (deficit) at end of year | <u><u>(\$5,995)</u></u> |
|---------------------------------------|-------------------------|

See accompanying notes to the basic financial statements.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | |
|---|---------------------------|
| Cash flows from operating activities: | |
| Cash received from subdivisions | \$109,158 |
| Cash received from local sources | 79,540 |
| Cash payments to employees for services | (579,643) |
| Cash payments to suppliers for services | <u>(147,082)</u> |
| | |
| Net cash provided by (used in) | |
| Net cash used in operating activities | <u>(538,027)</u> |
| | |
| Cash flows from noncapital financing activities: | |
| Cash received from intergovernmental sources | <u>585,730</u> |
| | |
| Net cash provided by noncapital financing activities | <u>585,730</u> |
| | |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | <u>(3,595)</u> |
| Net cash used in capital and related financing activities | <u>(3,595)</u> |
| | |
| Net increase in cash equivalents | 44,108 |
| | |
| Cash and cash equivalents at beginning of year | <u>65,757</u> |
| Cash and cash equivalents at end of year | <u><u>\$109,865</u></u> |
| | |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | (\$553,785) |
| | |
| Adjustments: | |
| Depreciation | 21,763 |
| Changes in assets and liabilities: | |
| (Increase) in accounts receivable | (4,612) |
| (Increase) in intergovernmental receivable | (1,555) |
| (Increase) in prepayments | (6,143) |
| (Increase) in deferred outflows | (20,660) |
| Increase in accounts payable | 1,407 |
| Increase in accrued wages and benefits | 883 |
| Increase in compensated absences payable | 1,860 |
| Increase in pension liability | 9,396 |
| Increase in deferred inflows | <u>13,419</u> |
| | |
| Net cash used in operating activities | <u><u>(\$538,027)</u></u> |

See accompanying notes to the basic financial statements.

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**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE ENTITY

The Lima-Allen County Regional Planning Commission, Allen County, (the "Commission") was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. The participating subdivisions are:

| | | |
|----------------------|-------------------------|-------------------|
| Allen County | City of Lima | City of Delphos |
| Village of Beaverdam | Village of Bluffton | Amanda Township |
| Village of Elida | Village of Spencerville | Bath Township |
| American Township | Auglaize Township | Monroe Township |
| Jackson Township | Marion Township | Shawnee Township |
| Perry Township | Richland Township | Spencer Township |
| Village of Cairo | Sugar Creek Township | Village of Harrod |

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", the Commission is not considered part of the Allen County financial reporting entity. There are no agencies or organizations for which the Commission is considered the primary government. Accordingly, the Commission is the sole organization of the reporting entity. The Commission maintains its own set of accounting records. The Allen County Auditor acts as the fiscal agent. These financial statements were prepared from the accounts and financial record of the Commission and, accordingly, these financial statements do not present the financial position or results of the operations of Allen County.

The accompanying financial statements have been designed to facilitate an understanding of the financial position and results of operations of the Commission. The activity of the Commission is determined by an overall work program which is approved by the Commission's Board and the Ohio Department of Transportation. All revenue and related costs are accounted for on a project basis. The financial information contained in these statements is the responsibility of the Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the financial records and reported in the financial statements. The Commission's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which the party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Commission receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. Expenses are recognized at the time they are incurred.

A deferred inflow of resources is an acquisition of net position by the Commission that is applicable to a future reporting period. The Commission reports deferred inflow of resources for the following items related to the Commission's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

A deferred outflow of resources is a consumption of net position by the Commission that is applicable to a future reporting period. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Commission, deferred outflows of resources have been reported for the following items related to the Commission's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the Commission's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

C. Cash and Investments

As required by Section 713.21, Ohio Revised Code, the Commission must deposit all receipts in the Allen County Treasury. The County Treasurer maintains a cash and investment pool used for all County and Commission funds. The Commission has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury.

Pursuant to Section 135.181, Ohio Revised Code, the County's deposits are covered by collateral held by third party trustees in collateral pools securing all public funds on deposit with specific depository institutions. In accordance with GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", all deposits are classified as to risk.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following risk categories most typically used are:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

The Commission's deposits with Allen County are classified in Category 3. Allen County's deposits of the Commission's funds are held by third party trustees pursuant to Section 135.181, Ohio Revised Code in collateral pools securing all public monies on deposit with specific depository institutions. At year-end, the carrying amount of the Commission's deposits was \$109,865.

The Ohio Revised Code does not provide the Commission the power to make or hold investments other than the deposits in the Allen County Treasury explained above. The Commission's deposits maintained by the Allen County Treasurer are either insured by the Federal Deposit Insurance Corporation or were considered collateralized by securities held by the pledging institutions' trust departments in Allen County's name and all State statutory requirements for the deposit of money had been followed.

As of June 30, 2015, the Allen County Treasury had the following investments types: Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), STARPlus Ohio, FDIC-insured Certificates of Deposit, CDARS, and a U.S. Government Money Market Fund.

The FHLMC, FHLB, FFCB, and FNMA carry a rating of Aaa by Moodys. The U.S. Government Money Market Fund carries a rating of AAA by Standard and Poor's. The FDIC-insured Certificates of Deposit and STARPlus Ohio are fully insured by the FDIC for principal and interest.

D. Indirect Costs

To facilitate the equitable distribution of common purpose costs benefiting more than one direct cost objective, the Commission has negotiated an agency-wide indirect cost allocation plan with its cognizant federal agency, the Federal Highway Administration (FHWA) through the Ohio Department of Transportation (ODOT).

The Commission has adopted the Provisional Rate Method of calculating the fringe benefit and indirect cost rate. The rates are calculated based on the most recently audited fiscal year with adjustments for projected changes. Once approved by ODOT, the provisional rates are billed for the fiscal year. At the end of the fiscal year, the actual rates are calculated and the difference between the estimated and actual costs for the period covered by the rate is identified to the specific contracts. Any variance is either billed as an additional cost or refunded to the granting agency. No carry forward provision is permitted to adjust future rates for the variance.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fringe benefit rate is based upon a percentage of direct wages to include sick time, holiday pay, vacation pay, personal days and the employer portion of retirement, workers compensation insurance, hospitalization and unemployment insurance. For the calculation of the fringe benefit rate the base is total labor, both direct and indirect.

The indirect cost rate is based upon a percentage of direct wages to include indirect wages and their allocated fringe benefit costs as well as other indirect costs incurred for equipment, supplies, utilities, and office space. For the calculation of the indirect cost rate, the base is total direct labor (excluding direct labor fringe benefits).

E. Receivables

Local assessment receivables consist of amounts due from subdivisions based on a per capita assessment. Other accounts receivable consist of billings from the Commission for lot split fees, subdivision review fees, and federal and state grants.

F. Prepayments

Recording a current asset for the prepaid amount and reflecting the expenditures/expenses in the year in which services are consumed record payments made to vendors for services that will benefit periods beyond June 30, 2015, as prepayments using the consumption method.

G. Capital Assets

All capital assets are capitalized at cost and updated for additions and deletions during the year. All capital assets are depreciated except for land. 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. The Commission has opted to capitalize their externally acquired computer software and any capital purchases greater than \$2,000. Depreciation of the office equipment, furniture, computer software, and vehicles are computed on the straight-line method over the useful lives (five years) of the assets. Depreciation of the building and improvements is computed on the straight-line method over the useful lives (31.5 to 32.5 years) of the assets.

H. Compensated Absences

Governmental Accounting and Financial Reporting Standards specifies that leave benefits of the employer's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered; the obligation relates to rights that accumulate; payment of the compensation is probable; and the amount can be reasonably estimated.

The Commission records a liability for accumulated unused vacation time when earned for employees. The Commission records a liability for accumulated unused sick leave using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Commission has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Commission's policy. Upon retirement, a full-time employee is entitled to receive payment for 1/3 of their accumulated but unused sick leave to a maximum of 240 hours. Part-time employees will receive 1/3 of the average time worked in 30 days.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

J. Operating and Non-Operating Revenues (Expenses)

Operating revenues are those revenues that are generated directly from the primary activities. For the Commission, these revenues are primarily membership fees from participating subdivisions along with local revenue defined in Note 2.K. Non-operating revenues consist of federal and state grants. Operating expenses are costs incurred to provide the good or service that is the primary activity of the Commission. Non-operating expenses consist of interest expense on the Commission's mortgage obligation payable.

K. Local Revenue

Local revenues consist of contract services, lot splits, subdivision reviews, and sundry revenues.

L. Estimates

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

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2015, the Commission has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Commission's pension plan disclosures, as presented in Note 6 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Commission.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and non-employer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. Net position at July 1, 2014, has been restated as follows:

| | |
|---|------------------|
| Net position as previously reported | \$397,946 |
| Deferred outflows - payments subsequent to measurement date | 28,449 |
| Net pension liability | <u>(406,569)</u> |
| Restated net position at July 1, 2014 | <u>\$19,826</u> |

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | Balance 06/30/14 | Additions/ Transfers | Deductions | Balance 06/30/15 |
|---|-----------------------------|---------------------------------|-------------------|-----------------------------|
| Cost: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$35,500 | | | \$35,500 |
| Total capital assets, not being depreciated | <u>35,500</u> | | | <u>35,500</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 360,079 | | | 360,079 |
| Office equipment and furniture | 132,299 | \$3,595 | (\$530) | 135,364 |
| Computer software | 21,273 | | | 21,273 |
| Vehicles | 51,866 | | | 51,866 |
| Total capital assets, being depreciated: | <u>565,517</u> | <u>3,595</u> | <u>(530)</u> | <u>568,582</u> |

(Continued)

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. CAPITAL ASSETS (Continued)

| | Balance 06/30/14 | Additions/ Transfers | Deductions | Balance 06/30/15 |
|---|-----------------------------|---------------------------------|-------------------|-----------------------------|
| Less: accumulated depreciation | | | | |
| Buildings and improvements | (158,632) | (11,202) | | (169,834) |
| Office equipment and furniture | (101,052) | (9,562) | 530 | (110,084) |
| Computer software | (18,525) | (999) | | (19,524) |
| Vehicles | (51,866) | | | (51,866) |
| Total accumulated depreciation | <u>(330,075)</u> | <u>(21,763)</u> | <u>530</u> | <u>(351,308)</u> |
| Governmental activities capital assets, net | <u>\$270,942</u> | <u>(\$18,168)</u> | <u>\$0</u> | <u>\$252,774</u> |

5. LONG-TERM OBLIGATIONS

The Commission's long-term obligations at June 30, 2015 are as follows:

| | Balance Outstanding 06/30/14 | Additions | Reductions | Balance Outstanding 06/30/15 | Amounts Due in One Year |
|------------------------------|---|------------------|-------------------|---|--|
| Compensated absences payable | \$42,906 | \$39,552 | (\$37,692) | \$44,766 | \$23,298 |
| Net pension liability | 406,569 | 9,396 | | 415,965 | |
| Total | <u>\$449,475</u> | <u>\$48,948</u> | <u>(\$37,692)</u> | <u>\$460,731</u> | <u>\$23,298</u> |

A. Compensated absences payable

Compensated absences represent future obligations for sick leave (to the extent it is estimated to be paid as severance), vacation leave and personal time. Of the total liability for compensated absences, \$23,298 is expected to be paid within the next fiscal year.

B. Net pension liability

See Note 6 to the note to the basic financial statements for detail on the net pension liability.

6. DEFINED BENEFIT PENSION PLAN

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred -payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEFINED BENEFIT PENSION PLAN (Continued)

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

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued wages and benefits* on the statement of net position.

B. Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - Commission employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Commission employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEFINED BENEFIT PENSION PLAN (Continued)

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEFINED BENEFIT PENSION PLAN (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|----------------------------|
| 2015 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2015 Actual Contribution Rates | |
| Employer: | |
| Pension | 12.0 % |
| Post-employment Health Care Benefits | 2.0 % |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Commission's contractually required contribution for both the Traditional Pension Plan was \$50,739 for fiscal year 2015. Of this amount, \$4,068 is reported as accrued wages and benefits payable.

C. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for the OPERS Traditional Pension Plan was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS |
|--|--------------|
| Proportionate share of the net pension liability | \$415,965 |
| Proportion of the net pension liability | 0.00344881% |
| Pension expense | \$38,210 |

At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEFINED BENEFIT PENSION PLAN (Continued)

| | OPERS |
|--|--------------|
| Deferred outflows of resources: | |
| Net difference between projected and actual earnings on pension plan investments | \$22,195 |
| Commission contributions subsequent to the measurement date | 26,914 |
| Total deferred outflows of resources | \$ 49,109 |
| Deferred inflows of resources: | |
| Differences between expected and actual experience | 7,308 |
| Difference between employer contributions and proportionate share of contributions | 15,252 |
| Total deferred inflows of resources | \$22,560 |

\$26,914 reported as deferred outflows of resources related to pension resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS |
|------------------------------------|--------------|
| <u>Year Ending June 30:</u> | |
| 2016 | (\$4,861) |
| 2017 | (4,861) |
| 2018 | 3,809 |
| 2019 | 5,548 |
| Total | (\$365) |

D. Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|--|--|----------------------|
| Wage inflation | | 3.75 percent |
| Future salary increases, including inflation | 4.25 to 10.05 percent including wage inflation | |
| COLA or ad hoc COLA | | 3 percent, simple |
| Investment rate of return | | 8 percent |
| Actuarial cost method | | Individual entry age |

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

6. DEFINED BENEFIT PENSION PLAN (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------|------------------------------|---|
| Fixed income | 23.00 % | 2.31 % |
| Domestic equities | 19.90 | 5.84 |
| Real estate | 10.00 | 4.25 |
| Private equity | 10.00 | 9.25 |
| International equities | 19.10 | 7.40 |
| Other investments | 18.00 | 4.59 |
| Total | <u>100.00 %</u> | <u>5.28 %</u> |

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

6. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 8 percent for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Commission's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|--------------------------------|--|--------------------------------|
| Commission's proportionate share of the net pension liability: | | | |
| Traditional Pension Plan | \$765,255 | \$415,965 | \$121,777 |

7. POST-RETIREMENT BENEFIT PLAN

Ohio Public Employees Retirement System

Plan Description - 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.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

7. POST-RETIREMENT BENEFIT PLAN (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In fiscal year 2015, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional and Combined Plans for fiscal year 2015 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Commission's contributions allocated to fund post-employment health care benefits for the fiscal years 2015, 2014 and 2013 were \$8,457, \$6,443 and \$9,948, respectively; 91.98% has been contributed for fiscal years 2015, 2014 and 2013; \$678 is reported as accrued wages and benefits payable.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

8. RISK MANAGEMENT

The Commission has obtained commercial insurance through the Webb Insurance Company for comprehensive property, data processing equipment, general liability and errors and omissions coverage. There was no significant reduction in insurance coverage from prior year and claims have not exceeded insurance coverage over the past three years.

The Commission also provides a high deductible health insurance through Anthem Blue Cross and dental, vision, and life insurance through Reliance. The Commission also offers a Health Savings Plan to full time employees.

9. CONTINGENCIES

Federal and State contracts are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon experience and audit results, management believes that such disallowances, if any, would be immaterial.

In the normal course of its business activities, the Commission may become subject to claims and litigation relating to contracts, employment or other matters. In the opinion of management, the resolution of any such claims pending would not likely have a material impact on the Commission's financial position.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

LAST TWO CALENDAR YEARS

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| Traditional Plan: | | |
| Commission's proportion of the net pension liability | 0.00344881% | 0.00344881% |
| Commission's proportionate share of the net pension liability | \$415,965 | \$406,569 |
| Commission's covered-employee payroll | \$429,568 | \$397,904 |
| Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 96.83% | 102.18% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.45% | 86.36% |

Note: Information prior to 2013 was unavailable.

Amounts presented as of the Commission's measurement date which is December 31.

See accompanying notes to the required supplementary information.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMMISSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

LAST THREE FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-----------------|-----------------|-----------------|
| <i>Traditional Plan:</i> | | | |
| Contractually required contribution | \$50,739 | \$53,696 | \$45,759 |
| Contributions in relation to the contractually required contribution | <u>(50,739)</u> | <u>(53,696)</u> | <u>(45,759)</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Commission's covered-employee payroll | \$422,825 | \$429,568 | \$397,904 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.50% | 11.50% |

Note: Information prior to 2013 was unavailable.

See accompanying notes to the required supplementary information.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**SCHEDULE OF EXPENSES BY ELEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <u>Project Number</u> | <u>Direct Labor</u> | <u>Other Direct</u> | <u>Indirect Cost</u> | <u>Total</u> |
|-----------------------|---------------------|---------------------|----------------------|------------------|
| Local | | | | |
| 101 | \$29,564 | \$6,833 | \$57,747 | \$94,144 |
| ODOT | | | | |
| 601 | 42,008 | 5,306 | 54,909 | 102,223 |
| 602 | 19,290 | 1,764 | 25,215 | 46,269 |
| 605 | 59,617 | 6,772 | 77,925 | 144,314 |
| 610 | 13,012 | 323 | 17,008 | 30,343 |
| 674 | 26,946 | 1,184 | 35,222 | 63,352 |
| 697 | 1,254 | 228 | 1,639 | 3,121 |
| Total ODOT | <u>162,127</u> | <u>15,577</u> | <u>211,918</u> | <u>389,622</u> |
| STP | | | | |
| 6058 | 51,554 | 26,416 | 67,386 | 145,356 |
| 6104 | 14,992 | 721 | 19,596 | 35,309 |
| Total STP | <u>66,546</u> | <u>27,137</u> | <u>86,982</u> | <u>180,665</u> |
| FTA | | | | |
| 675 | 14,841 | 1,942 | 19,399 | 36,182 |
| ODPS | | | | |
| 205 | <u>23,212</u> | <u>3,626</u> | <u>30,340</u> | <u>57,178</u> |
| Grand Total | <u>\$296,290</u> | <u>\$55,115</u> | <u>\$406,386</u> | <u>\$757,791</u> |

Notes to the Schedule of Expenses by Element

The Element of Project numbers used on the Schedule of Expenses by Element for identification purposes are:

| <u>Element</u> | <u>Funding</u> | <u>Project</u> |
|----------------|----------------|------------------------------------|
| 101 | RPC | Local |
| 205 | ODPS | Community |
| 601 | ODOT/FHWA | Short Range Planning |
| 602 | ODOT/FHWA | Transportation Improvement Program |
| 605 | ODOT/FHWA | Surveillance |
| 610 | ODOT/FHWA | Long Range Planning |
| 674 | ODOT/FHWA | Specialized Transportation Program |
| 697 | ODOT/FHWA | Annual Report |
| 675 | ODOT/FTA | Mass Transportation |
| 6058 | ODOT/STP | Sustainability |
| 6104 | ODOT/STP | Long Range Transportation Planning |

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY

SCHEDULE OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD
JULY 1, 2014 - JUNE 30, 2015)

| | | ESTIMATED FY 2015 | ACTUAL FY 2015 | VARIANCE (OVER BUDGET) UNDER BUDGET |
|------------------------------------|----------------------|----------------------|---------------------|---|
| EMPLOYEE WAGES | | | | |
| Indirect Labor | | | | |
| Acct. # | Acct. Name | | | |
| 4110 | Administrative Wages | \$74,000.00 | \$15,697.79 | \$58,302.21 |
| 4130 | Clarial Wages | | \$27,687.92 | (\$27,687.92) |
| 4120 | Accounting Wages | | \$35,057.46 | (\$35,057.46) |
| Subtotal - Indirect Labor | | \$74,000.00 | \$78,443.17 | (\$4,443.17) |
| Direct Labor | | | | |
| Acct. # | Acct. Name | | | |
| 4100 | Direct Wages | \$299,000.00 | | \$299,000.00 |
| 4100 | 105 | | \$1,536.43 | (\$1,536.43) |
| 4100 | 205 | | \$23,212.05 | (\$23,212.05) |
| 4100 | 302 | | \$2,716.74 | (\$2,716.74) |
| 4100 | 305 | | \$1,187.61 | (\$1,187.61) |
| 4100 | 401 | | \$455.64 | (\$455.64) |
| 4100 | 402 | | \$455.61 | (\$455.61) |
| 4100 | 405 | | \$1,081.23 | (\$1,081.23) |
| 4100 | 410 | | \$492.64 | (\$492.64) |
| 4100 | 415 | | \$6,550.87 | (\$6,550.87) |
| 4100 | 501 | | \$3,430.66 | (\$3,430.66) |
| 4100 | 505 | | \$8,935.25 | (\$8,935.25) |
| 4100 | 510 | | \$2,720.99 | (\$2,720.99) |
| 4100 | 601 | | \$42,008.28 | (\$42,008.28) |
| 4100 | 602 | | \$19,290.48 | (\$19,290.48) |
| 4100 | 605 | | \$59,616.89 | (\$59,616.89) |
| 4100 | 6058 | | \$51,553.64 | (\$51,553.64) |
| 4100 | 610 | | \$13,011.72 | (\$13,011.72) |
| | 6104 | | \$14,992.32 | (\$14,992.32) |
| | 674 | | \$26,946.55 | (\$26,946.55) |
| | 675 | | \$14,840.93 | (\$14,840.93) |
| | 697 | | \$1,254.19 | (\$1,254.19) |
| Subtotal - Direct Labor | | \$299,000.00 | \$296,290.72 | \$2,709.28 |
| TOTAL EMPLOYEE WAGES | | <u>\$373,000.00</u> | <u>\$374,733.89</u> | <u>(\$1,733.89)</u> |
| FRINGE BENEFITS COST CENTER | | | | |
| Paid Leave | | | | |
| Acct. # | Acct. Name | | | |
| 4160 | Holiday | \$18,831.00 | \$16,793.82 | \$2,037.18 |
| 4150 | Vacation | \$23,391.00 | \$25,665.67 | (\$2,274.67) |
| 4140 | Sick Leave | \$15,078.00 | \$12,026.05 | \$3,051.95 |
| 4170 | Other Sal | \$1,496.00 | | \$1,496.00 |
| Subtotal - Paid Leave | | \$58,796.00 | \$54,485.54 | \$4,310.46 |
| Other Fringe Benefits | | | | |
| Acct. # | Acct. Name | | | |
| 4180 | OtherBenefit | \$9,157.00 | \$9,157.10 | (\$0.10) |
| 4220 | PERS | \$52,220.00 | \$59,196.15 | (\$6,976.15) |
| 4230 | Workers Comp | \$3,500.00 | \$2,918.11 | \$581.89 |
| 4200 | Health Insurance | \$70,000.00 | \$70,204.43 | (\$204.43) |
| 4210 | Medicare | \$7,460.00 | \$6,334.64 | \$1,125.36 |
| 4240 | Unemployment | \$540.00 | \$762.30 | (\$222.30) |
| Subtotal - Other Fringe | | \$142,877.00 | \$148,572.73 | (\$5,695.73) |
| TOTAL FRINGE BENEFITS | | <u>\$201,673.00</u> | <u>\$203,058.27</u> | <u>(\$1,385.27)</u> |

INDIRECT COST CENTER - NON-LABOR

| Acct. # | Acct. Name | | | |
|---|----------------------------|---------------------|---------------------|---------------------|
| 4401 | Office Supplies | \$15,000.00 | \$14,618.90 | \$381.10 |
| 4480 | Indirect Postage | \$1,300.00 | \$860.77 | \$439.23 |
| 4475 | Indirect copies | \$10,500.00 | \$10,470.62 | \$29.38 |
| 4400 | Indirect Sundry Supplies | \$500.00 | \$1,660.31 | (\$1,160.31) |
| 4411 | Electric | \$13,000.00 | \$16,982.68 | (\$3,982.68) |
| 4412 | Indirect Telephone | \$3,960.00 | \$3,962.84 | (\$2.84) |
| 4470 | Indirect Vehicle | \$200.00 | \$150.79 | \$49.21 |
| 4410 | Indirec Cont Serv. | \$30,250.00 | \$24,927.11 | \$5,322.89 |
| 4413 | Water Sewer | \$0.00 | \$730.86 | (\$730.86) |
| 4460 | Indirect Repairs | \$6,000.00 | \$2,555.69 | \$3,444.31 |
| 4450 | Indirect Travel & Meetings | \$500.00 | \$259.00 | \$241.00 |
| 4495 | Depreciation | \$14,000.00 | \$20,764.05 | (\$6,764.05) |
| 4491 | Interest Expense | \$0.00 | \$0.00 | \$0.00 |
| 4496 | Software Amortization | \$1,200.00 | \$999.00 | \$201.00 |
| 4402 | Indirect Equipment | \$5,000.00 | \$6,258.46 | (\$1,258.46) |
| 4403 | Indirect Software | \$1,500.00 | \$0.00 | \$1,500.00 |
| 4486 | Indirect Training | \$500.00 | \$0.00 | \$500.00 |
| 4485 | Indirect Sundry Expense | \$1,000.00 | \$567.12 | \$432.88 |
| TOTAL INDIRECT COSTS - NON-LABOR | | \$104,410.00 | \$105,768.20 | (\$1,358.20) |

FRINGE BENEFIT COST RATE CALCULATION

| | | | | |
|---------------------------------|----------|---------------|---------------|--------------|
| TOTAL FRINGE BENEFITS | A | \$201,673 | \$203,058 | |
| TOTAL EMPLOYEE WAGES | B | \$373,000 | \$374,734 | |
| FRINGE BENEFIT COST RATE | | 54.07% | 54.19% | A ÷ B |

FRINGE BENEFIT COST RECOVERY COMPARISON

FY 2015

| | | | |
|---|---|-----------|-----------------------------------|
| Should have recovered in fiscal year | + | \$160,552 | Actual DL * Actual Fringe Rate |
| Amount actually recovered in fiscal year | - | \$160,198 | Actual DL * Estimated Fringe Rate |
| Prior Year Net (Over) / Under Recovery | + | \$0 | |
| Prior Year (Over) / Under Recovery Posted to Cost | - | \$0 | |
| (Over) / Under Recovery of Fringe Benefits | = | \$354 | |

FRINGE BENEFITS COST DISTRIBUTION

| | | |
|--------------------------------|------------------|------------------|
| INDIRECT LABOR FRINGE BENEFITS | \$40,010 | \$42,506 |
| DIRECT LABOR FRINGE BENEFITS | \$161,663 | \$160,552 |
| TOTAL FRINGE BENEFITS | \$201,673 | \$203,058 |

INDIRECT COST RATE CALCULATION

| | | | |
|---------------------------------|------------------|------------------|--------------|
| INDIRECT LABOR | \$74,000 | \$78,443 | |
| INDIRECT FRINGE BENEFITS | \$40,010 | \$42,506 | |
| OTHER INDIRECT COSTS | \$104,410 | \$105,768 | |
| TOTAL INDIRECT COSTS | \$218,420 | \$226,718 | |
| TOTAL DIRECT LABOR COSTS | \$299,000 | \$296,291 | |
| INDIRECT COST RATE | 73.05% | 76.52% | A ÷ B |

INDIRECT COST RECOVERY COMPARISON

FY 2015

| | | | |
|---|---|-----------|-------------------------------------|
| Should have recovered in fiscal year | + | \$226,718 | Actual DL * Actual Indirect Rate |
| Amount actually recovered in fiscal year | - | \$216,441 | Actual DL * Estimated Indirect Rate |
| Prior Year Net (Over) / Under Recovery | + | \$0 | |
| Prior Year (Over) / Under Recovery Posted to Cost | - | \$0 | |
| (Over) / Under Recovery of Indirect Costs | = | \$10,277 | |

SUMMARY

| | ESTIMATED FY 2015 | ACTUAL FY 2015 |
|---------------------------------|------------------------------|---------------------------|
| FRINGE BENEFIT COST RATE | 54.07% | 54.19% |
| INDIRECT COST RATE | 73.05% | 76.52% |
| TOTAL OVERHEAD COST RATE | 127.12% | 130.71% |



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

Lima-Allen County Regional Planning Commission
Allen County
130 W. North Street
Lima, Ohio 45801

To the Commission Members

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 Lima-Allen County Regional Planning Commission, Allen County, (the Commission) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 20, 2016, wherein we noted the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Commission'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 Commission'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Commission'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*.

Entity's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Commission's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

June 20, 2016

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2015**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2015-001

Material Weakness - Implementation of GASB 68

Procedures and/or controls should be in place to help ensure that the Commission's financial statements are presented in accordance with generally accepted accounting principles. The Commission's financial statements for the fiscal year ended June 30, 2015 did not reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68.

As a result of not implementing these GASB Statements, opening net position was overstated by \$378,120, deferred outflows of resources were understated by \$49,109, liabilities were understated by \$415,965, deferred inflows of resources were understated by \$22,560, operating expenses were understated by \$11,296, and ending net position was overstated by \$389,416.

The Commission did not implement the GASB Statements because the required disclosures for GASB Statement No. 68 were not available from the Ohio Public Employees Retirement System (OPERS) at the time the financial statements were prepared. Also the Commission believed that a pension liability was not required since pension obligations are paid by the Commission's fiscal agent therefore they believed liability would be included on fiscal agent's financial statements.

The Commission is the employer of record and therefore should report this liability.

The accompanying financial statements have been adjusted along with the addition of the required disclosures with-in management's discussion and analysis and the notes to the financial statements along with the addition of the required supplementary information.

The Commission should review Auditor of State Bulletins and other reference materials, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, to help identify and understand changes in financial reporting requirements.

OFFICIALS' RESPONSE: The Regional Planning Commission is committed to preparing GAAP-basis basic financial statements that are presented in accordance with reporting standards. We also review the Auditor of State (AOS) Bulletins and other reference materials for guidance. In response to Finding 2015-001, we would like to note the following:

- On September 22, 2015, AOS Bulletin 2015-006 was received and read. The requirement that an entity that is not the "employer of record" with the pension systems should record their proportionate share of the net pension liability/asset was not specified in AOS Bulletin 2015-006 or the 'Frequently Asked Questions' available on the AOS website at ohioauditor.gov/references/gasb68.
- LACRPC staff contacted the Auditor of State and Julian & Grube Inc., an accounting firm the agency has used for audit purposes in the past, for clarification on how to handle an entity that is not an "employer of record". AOS staff provided conflicting responses to both LACRPC and Julian & Grube Inc. staff as to whether or not entities that are not the "employer of record" should report a net pension liability/asset on their financial statements.
- On September 23, 2015, the LACRPC basic financial statements were submitted for audit as required to meet the Ohio Department of Transportation submission deadline.

FINDING NUMBER 2015-001
(Continued)

- The Defined Pension Benefit Plan footnote included in fiscal year 2015 audited financial statements was not released by AOS until March 22, 2016.
- When LACRPC received clarification the updated pension liability was calculated and submitted on May 23, 2016, to the AOS for inclusion in the FY 2015 LACRPC audit report.



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LIMA-ALLEN REGIONAL PLANNING COMMISSION

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
JULY 5, 2016