

CITY OF LIMA, OHIO

General Purpose Financial Statements

December 31, 1999

(With Independent Auditors' Report Thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

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We have reviewed the Independent Auditor's Report of the City of Lima, Allen County, prepared by KPMG, for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 20, 2001

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CITY OF LIMA, OHIO

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Independent Auditors' Report

Members of City Council
City of Lima, Lima Ohio

We have audited the accompanying general purpose financial statements of the City of Lima, Ohio (the City), as of and for the year ended December 31, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2001 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

January 23, 2001

City of Lima, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of December 31, 1999

Assets and Other Debits	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,442,095	\$1,879,006	\$87,873	\$550,143
Cash and Cash Equivalents in Segregated Accounts	0	0	70,082	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	183,349	0
Investments in Segregated Accounts	0	0	131,094	0
Unamortized Discounts on Investments				
<u>Receivables:</u>				
Taxes	3,346,124	13,321	0	0
Accounts	746,779	3,848	0	0
Intergovernmental	732,503	143,005	0	26,632
Special Assessments	0	626,122	1,619,051	0
Accrued Interest	64,807	0	684	0
Interfund Receivable	453,973	0	115,737	0
Materials and Supplies Inventory	0	30,655	0	0
Notes Receivable	0	1,546,057	0	0
Prepaid Items	34,644	0	0	0
Unamortized Bond Issuance Costs	0	0	0	0
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	0	0	0	0
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	0	0
Advances to Other Funds	0	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0
Total Assets and Other Debits	<u><u>\$7,820,925</u></u>	<u><u>\$4,242,014</u></u>	<u><u>\$2,207,870</u></u>	<u><u>\$576,775</u></u>

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$10,507,447	\$196,049	\$252,904	\$0	\$0	\$15,915,517
486,234	0	340,638	0	0	896,954
0	0	0	0	0	183,349
150,419	0	33,289	0	0	314,802
0	0	0	0	0	3,359,445
2,967,650	0	0	0	0	3,718,277
0	0	0	0	0	902,140
0	0	0	0	0	2,245,173
626	0	136	0	0	66,253
23,983	0	5,312	0	0	599,005
80,275	0	0	0	0	110,930
0	0	0	0	0	1,546,057
52,972	0	0	0	0	87,616
319,754	0	0	0	0	319,754
3,523,706	0	0	0	0	3,523,706
1,236,618	0	0	0	0	1,236,618
292,240	0	0	0	0	292,240
28,472,943	0	0	22,293,595	0	50,766,538
0	0	0	0	339,135	339,135
0	0	0	0	5,120,504	5,120,504
0	0	0	0	623,667	623,667
<u>\$48,114,867</u>	<u>\$196,049</u>	<u>\$632,279</u>	<u>\$22,293,595</u>	<u>\$6,083,306</u>	<u>\$92,167,680</u>

(continued)

City of Lima, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of December 31, 1999
 (Continued)

<u>Liabilities, Fund Equity and Other Credits</u>	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities:</u>				
Accounts Payable	\$864,035	\$151,693	\$66,335	\$10,903
Contracts Payable	59,099	445,127	0	0
Interfund Payable	0	453,973	145,032	0
Accrued Wages	228,160	24,930	0	527
Compensated Absences Payable	0	0	0	0
Retainage Payable	0	125,339	0	0
Intergovernmental Payable	131,898	22,768	0	596
Deferred Revenue	2,889,235	626,122	1,619,051	0
Undistributed Monies	0	0	0	0
Deposits Held and Due to Others	0	7,362	0	0
Matured Bonds and Interest Payable	0	0	38,317	0
Accrued Interest Payable	0	0	0	0
Claims Payable	0	0	0	0
Loans Payable	0	0	0	0
Payables from Restricted Assets:				
Revenue Bonds Payable	0	0	0	0
Refundable Deposits	0	0	0	0
Interest Payable	0	0	0	0
Judgements Payable	0	0	0	0
Advances from Other Funds	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable (Net, where applicable, of unamortized discount and accounting loss)	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
Total Liabilities	4,172,427	1,857,314	1,868,735	12,026
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved:				
Reserved for Plant Improvement and Replacement	0	0	0	0
Reserved for Operations	0	0	0	0
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	437,338	528,102	0	16,553
Reserved for Notes Receivable	0	1,546,057	0	0
Reserved for Inventory	0	30,655	0	0
Reserved for Prepaids	34,644	0	0	0
Unreserved	3,176,516	279,886	339,135	548,196
Total Fund Equity (Deficit) and Other Credits	3,648,498	2,384,700	339,135	564,749
Total Liabilities, Fund Equity and Other Credits	\$7,820,925	\$4,242,014	\$2,207,870	\$576,775

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long-Term Obligations	
\$1,173,311	\$14,767	\$0	\$0	\$0	\$2,281,044
24,580	0	0	0	0	528,806
0	0	0	0	0	599,005
72,401	0	0	0	0	326,018
653,000	0	0	0	2,239,155	2,892,155
24,146	0	0	0	0	149,485
76,745	0	9,879	0	446,374	688,260
0	0	0	0	0	5,134,408
0	0	379,375	0	0	379,375
0	0	113,475	0	0	120,837
0	0	0	0	0	38,317
22,886	0	0	0	0	22,886
0	1,548,526	0	0	0	1,548,526
0	0	0	0	172,865	172,865
580,000	0	0	0	0	580,000
231,067	0	0	0	0	231,067
41,848	0	0	0	0	41,848
0	0	0	0	110,000	110,000
292,240	0	0	0	0	292,240
793	0	0	0	272,110	272,903
1,543,943	0	0	0	0	1,543,943
5,179,549	0	0	0	1,880,000	7,059,549
7,750,000	0	0	0	0	7,750,000
0	0	0	0	962,802	962,802
<u>17,666,509</u>	<u>1,563,293</u>	<u>502,729</u>	<u>0</u>	<u>6,083,306</u>	<u>33,726,339</u>
0	0	0	22,293,595	0	22,293,595
11,206,175	0	0	0	0	11,206,175
1,600,000	0	0	0	0	1,600,000
1,692,639	0	0	0	0	1,692,639
15,949,544	(1,367,244)	0	0	0	14,582,300
0	0	0	0	0	981,993
0	0	0	0	0	1,546,057
0	0	0	0	0	30,655
0	0	0	0	0	34,644
0	0	129,550	0	0	4,473,283
<u>30,448,358</u>	<u>(1,367,244)</u>	<u>129,550</u>	<u>22,293,595</u>	<u>0</u>	<u>58,441,341</u>
<u>\$48,114,867</u>	<u>\$196,049</u>	<u>\$632,279</u>	<u>\$22,293,595</u>	<u>\$6,083,306</u>	<u>\$92,167,680</u>

City of Lima, Ohio
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Year Ended December 31, 1999

	Governmental Fund Type			Capital Projects	Fiducary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		Expendable Trust	
<u>Revenues:</u>						
Property Taxes	\$1,095,153	\$0	\$0	\$0	\$0	\$1,095,153
Municipal Income Tax	13,218,043	0	0	0	0	13,218,043
Other Local Taxes	0	53,665	0	0	0	53,665
Intergovernmental	5,040,405	7,724,767	0	271,693	0	13,036,865
Charges for Services	2,479,483	332,324	0	0	0	2,811,807
Fees, Licenses and Permits	706,723	0	0	0	0	706,723
Fines and Forfeitures	1,198,457	143,243	0	297,491	0	1,639,191
Special Assessments	0	0	255,341	0	0	255,341
Investment Income	665,914	80,984	12,998	0	0	759,896
Miscellaneous	242,607	54,491	58,737	12,053	18,850	386,738
Total Revenues	<u>24,646,785</u>	<u>8,389,474</u>	<u>327,076</u>	<u>581,237</u>	<u>18,850</u>	<u>33,963,422</u>
<u>Expenditures:</u>						
Current:						
Security of Persons and Property	10,868,992	4,518,844	0	0	0	15,387,836
Leisure Time Activities	764,460	54,425	0	0	0	818,885
Community Environment	644,175	1,836,191	0	0	0	2,480,366
Transportation	1,420,028	2,794,887	0	0	0	4,214,915
General Government	6,235,516	45,058	0	0	4,970	6,285,544
Capital Outlay	3,389,330	0	0	563,456	0	3,952,786
Principal Retirement	602,519	0	207,934	0	0	810,453
Interest and Fiscal Charges	85,245	13,914	208,277	0	0	307,436
Total Expenditures	<u>24,010,265</u>	<u>9,263,319</u>	<u>416,211</u>	<u>563,456</u>	<u>4,970</u>	<u>34,258,221</u>
Excess of Revenues Over (Under) Expenditures	<u>636,520</u>	<u>(873,845)</u>	<u>(89,135)</u>	<u>17,781</u>	<u>13,880</u>	<u>(294,799)</u>
<u>Other Financing Sources (Uses):</u>						
Proceeds of Refunding Bonds	0	0	1,123,855	0	0	1,123,855
Proceeds of Bonds	0	731,372	0	100,000	0	831,372
Proceeds from Disposition of Fixed Assets	1,460	0	0	0	0	1,460
Inception of Capital Lease	99,799	0	0	0	0	99,799
Payment to Refunded Bond Escrow Agent	0	0	(1,087,482)	0	0	(1,087,482)
Operating Transfers - In	0	25,000	53,134	0	0	78,134
Operating Transfers - Out	(67,792)	(3,796)	0	0	0	(71,588)
Total Other Financing Sources (Uses)	<u>33,467</u>	<u>752,576</u>	<u>89,507</u>	<u>100,000</u>	<u>0</u>	<u>975,550</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	669,987	(121,269)	372	117,781	13,880	680,751
Fund Balances at Beginning of Year	3,039,829	2,505,969	338,763	446,968	115,670	6,447,199
Residual Equity Transfer -Out	(61,318)	0	0	0	0	(61,318)
Fund Balances at End of Year	<u>\$3,648,498</u>	<u>\$2,384,700</u>	<u>\$339,135</u>	<u>\$564,749</u>	<u>\$129,550</u>	<u>\$7,066,632</u>

See Accompanying Notes to the General Purpose Financial Statements

City of Lima, Ohio

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund
For The Year Ended December 31, 1999

	General Fund			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,066,500	\$1,095,153	\$28,653	\$0	\$0	\$0
Municipal Income Tax	12,810,000	13,476,803	666,803	0	0	0
Other Local Taxes	0	0	0	60,000	50,064	(9,936)
Intergovernmental	4,876,900	4,696,023	(180,877)	16,575,000	8,569,467	(8,005,533)
Charges for Services	2,315,475	2,693,745	378,270	68,000	330,554	262,554
Fees, Licenses and Permits	671,250	705,226	33,976	0	0	0
Revolving Loan Payments	0	0	0	0	350,981	350,981
Fines and Forfeitures	1,095,000	1,204,864	109,864	83,000	147,626	64,626
Special Assessments	0	0	0	0	0	0
Investment Income	650,000	914,865	264,865	0	59,182	59,182
Miscellaneous	80,750	34,412	(46,338)	37,500	58,794	21,294
Total Revenues	<u>23,565,875</u>	<u>24,821,091</u>	<u>1,255,216</u>	<u>16,823,500</u>	<u>9,566,668</u>	<u>(7,256,832)</u>
Expenditures:						
Current:						
Security of Persons and Property	12,245,452	12,138,620	106,832	9,507,159	5,106,972	4,400,187
Leisure Time Activities	887,549	759,730	127,819	75,803	53,965	21,838
Community Development	726,232	667,046	59,186	3,730,818	2,412,167	1,318,651
Transportation	1,548,217	1,436,290	111,927	3,196,056	3,144,795	51,261
General Government	6,772,318	6,353,211	419,107	60,000	45,058	14,942
Capital Outlay	4,076,356	3,913,658	162,698	0	0	0
Debt Service:						
Principal Retirement	748,000	748,000	0	0	0	0
Interest and Fiscal Charges	26,778	26,778	0	0	13,914	(13,914)
Total Expenditures	<u>27,030,902</u>	<u>26,043,333</u>	<u>987,569</u>	<u>16,569,836</u>	<u>10,776,871</u>	<u>5,792,965</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,465,027)</u>	<u>(1,222,242)</u>	<u>2,242,785</u>	<u>253,664</u>	<u>(1,210,203)</u>	<u>(1,463,867)</u>
Other Financing Sources (Uses):						
Other Financing Sources	149,388	182,184	32,796	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0	0	0
Proceeds of Refunding Bonds	0	0	0	0	0	0
Proceeds of Bonds	0	0	0	0	731,372	731,372
Proceeds of Notes	720,000	748,000	28,000	0	0	0
Proceeds from Disposal of Fixed Assets	7,500	1,460	(6,040)	0	0	0
Operating Transfers - In	0	0	0	200,000	25,000	(175,000)
Operating Transfers - Out	(86,489)	(67,792)	18,697	0	(3,796)	(3,796)
Total Other Financing Sources (Uses)	<u>790,399</u>	<u>863,852</u>	<u>73,453</u>	<u>200,000</u>	<u>752,576</u>	<u>552,576</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(2,674,628)</u>	<u>(358,390)</u>	<u>2,316,238</u>	<u>453,664</u>	<u>(457,627)</u>	<u>(911,291)</u>
Fund Balances at Beginning of Year	1,954,185	1,954,185	0	(3,369,137)	(3,369,137)	0
Prior Year Encumbrances Carried Over	269,815	269,815	0	4,031,733	4,031,733	0
Fund Balances (Deficit) at End of Year	<u>(\$450,628)</u>	<u>\$1,865,610</u>	<u>\$2,316,238</u>	<u>\$1,116,260</u>	<u>\$204,969</u>	<u>(\$911,291)</u>

(continued)

City of Lima, Ohio

Combined Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund
For The Year Ended December 31, 1999
(continued)

	Debt Service			Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Municipal Income Tax	0	0	0	0	0	0
Other Local Taxes	0	0	0	0	0	0
Intergovernmental	0	0	0	450,000	271,693	(178,307)
Charges for Services	0	0	0	0	0	0
Fees, Licenses and Permits	0	0	0	0	0	0
Revolving Loan Payments	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	310,000	297,057	(12,943)
Special Assessments	272,921	255,341	(17,580)	0	0	0
Interest	0	0	0	0	0	0
Miscellaneous	0	58,737	58,737	0	12,053	12,053
Total Revenues	<u>272,921</u>	<u>314,078</u>	<u>41,157</u>	<u>760,000</u>	<u>580,803</u>	<u>(179,197)</u>
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Capital Outlay	0	0	0	1,191,588	595,422	596,166
Debt Service:						
Principal Retirement	431,148	428,498	2,650	0	0	0
Interest and Fiscal Charges	300,868	311,248	(10,380)	0	0	0
Total Expenditures	<u>732,016</u>	<u>739,746</u>	<u>(7,730)</u>	<u>1,191,588</u>	<u>595,422</u>	<u>596,166</u>
Excess of Revenues Over (Under) Expenditures	<u>(459,095)</u>	<u>(425,668)</u>	<u>33,427</u>	<u>(431,588)</u>	<u>(14,619)</u>	<u>416,969</u>
Other Financing Sources (Uses):						
Other Financing Sources	0	0	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	(1,087,482)	(1,087,482)	0	0	0
Proceeds of Refunding Bonds	0	1,180,516	1,180,516	0	0	0
Proceeds of Bonds	0	0	0	350,000	100,000	(250,000)
Proceeds of Notes	0	0	0	0	0	0
Proceeds from Disposal of Fixed Assets	0	0	0	0	0	0
Operating Transfers - In	455,095	386,343	(68,752)	0	0	0
Operating Transfers - Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>455,095</u>	<u>479,377</u>	<u>24,282</u>	<u>350,000</u>	<u>100,000</u>	<u>(250,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>(4,000)</u>	<u>53,709</u>	<u>57,709</u>	<u>(81,588)</u>	<u>85,381</u>	<u>166,969</u>
Fund Balances at Beginning of Year	34,164	34,164	0	433,888	433,888	0
Prior Year Encumbrances Carried Over	0	0	0	6,488	6,488	0
Fund Balances (Deficit) at End of Year	<u>\$30,164</u>	<u>\$87,873</u>	<u>\$57,709</u>	<u>\$358,788</u>	<u>\$525,757</u>	<u>\$166,969</u>

See Accompanying Notes to the General Purpose Financial Statements

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,066,500	\$1,095,153	\$28,653
0	0	0	12,810,000	13,476,803	666,803
0	0	0	60,000	50,064	(9,936)
0	0	0	21,901,900	13,537,183	(8,364,717)
0	0	0	2,383,475	3,024,299	640,824
0	0	0	671,250	705,226	33,976
0	0	0	0	350,981	350,981
0	0	0	1,488,000	1,649,547	161,547
0	0	0	272,921	255,341	(17,580)
0	0	0	650,000	974,047	324,047
10,000	18,850	8,850	128,250	182,846	54,596
10,000	18,850	8,850	41,432,296	35,301,490	(6,130,806)
0	0	0	21,752,611	17,245,592	4,507,019
0	0	0	963,352	813,695	149,657
0	0	0	4,457,050	3,079,213	1,377,837
0	0	0	4,744,273	4,581,085	163,188
10,000	6,777	3,223	6,842,318	6,405,046	437,272
0	0	0	5,267,944	4,509,080	758,864
0	0	0	1,179,148	1,176,498	2,650
0	0	0	327,646	351,940	(24,294)
10,000	6,777	3,223	45,534,342	38,162,149	7,372,193
0	12,073	12,073	(4,102,046)	(2,860,659)	1,241,387
0	0	0	149,388	182,184	32,796
0	0	0	0	(1,087,482)	(1,087,482)
0	0	0	0	1,180,516	1,180,516
0	0	0	350,000	831,372	481,372
0	0	0	720,000	748,000	28,000
0	0	0	7,500	1,460	(6,040)
0	0	0	655,095	411,343	(243,752)
0	0	0	(86,489)	(71,588)	14,901
0	0	0	1,795,494	2,195,805	400,311
0	12,073	12,073	(2,306,552)	(664,854)	1,641,698
117,477	117,477	0	(829,423)	(829,423)	0
0	0	0	4,308,036	4,308,036	0
\$117,477	\$129,550	\$12,073	\$1,172,061	\$2,813,759	\$1,641,698

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City of Lima, Ohio
 Combined Statement of Revenues, Expenses, and Changes in Fund Equity (Deficit)
 All Proprietary Fund Types
 For the Year Ended December 31, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Charges for Services	\$17,967,485	\$2,608,394	\$20,575,879
Recycled Sales	49,006	0	49,006
Other Operating Revenues	29,920	18,312	48,232
Total Operating Revenues	<u>18,046,411</u>	<u>2,626,706</u>	<u>20,673,117</u>
<u>Operating Expenses:</u>			
Salaries	3,832,981	0	3,832,981
Fringe Benefits	1,201,658	0	1,201,658
Claims Expense	0	3,474,079	3,474,079
Other Services and Charges	6,716,922	340,447	7,057,369
Depreciation	2,090,007	0	2,090,007
Total Operating Expenses	<u>13,841,568</u>	<u>3,814,526</u>	<u>17,656,094</u>
Operating Income (Loss)	<u>4,204,843</u>	<u>(1,187,820)</u>	<u>3,017,023</u>
<u>Non-Operating Revenues (Expenses):</u>			
Loss on Disposal of Fixed Assets	(22,114)	0	(22,114)
Investment Income	(474,955)	0	(474,955)
Interest and Fiscal Charges	(970,192)	0	(970,192)
Total Non-Operating Revenues (Expenses)	<u>(1,467,261)</u>	<u>0</u>	<u>(1,467,261)</u>
Income (Loss) before Operating Transfers	2,737,582	(1,187,820)	1,549,762
Operating Transfers - Out	(6,546)	0	(6,546)
Net Income (Loss)	<u>2,731,036</u>	<u>(1,187,820)</u>	<u>1,543,216</u>
Depreciation on Fixed Assets Acquired by Contributed Capital	243,077	0	243,077
Retained Earnings (Deficit) at Beginning of Year	16,576,012	(240,742)	16,335,270
Residual Equity Transfers - In	0	61,318	61,318
Residual Equity Transfers - Out	<u>(307,942)</u>	<u>0</u>	<u>(307,942)</u>
Retained Earnings (Deficit) at End of Year	<u>19,242,183</u>	<u>(1,367,244)</u>	<u>17,874,939</u>
Contributed Capital at Beginning of Year	11,354,286	0	11,354,286
Contributed from Tap-in Fees	94,966	0	94,966
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>(243,077)</u>	<u>0</u>	<u>(243,077)</u>
Contributed Capital at End of Year	<u>11,206,175</u>	<u>0</u>	<u>11,206,175</u>
Total Fund Equity (Deficit) at End of Year	<u>\$30,448,358</u>	<u>(\$1,367,244)</u>	<u>\$29,081,114</u>

See Accompanying Notes to the General Purpose Financial Statements

City of Lima, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For The Year Ended December 31, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Increases and (Decreases) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$17,535,963	\$109,321	\$17,645,284
Cash Received from Quasi-External Operating Transactions with Other Funds	0	2,488,536	2,488,536
Cash Payments for Personal Services	(3,976,637)	0	(3,976,637)
Cash Payments for Fringe Benefits	(1,328,856)	0	(1,328,856)
Cash Payments for Claims	0	(2,503,505)	(2,503,505)
Cash Payments for Other Services and Charges	(6,782,491)	(325,680)	(7,108,171)
Other Operating Receipts	485,432	137,589	623,021
Utility Deposits Received	89,317	0	89,317
Utility Deposits Refunded	(86,220)	0	(86,220)
Net Cash Provided by (Used for) Operating Activities	<u>5,936,508</u>	<u>(93,739)</u>	<u>5,842,769</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Cash Received from Interfund Advances	80,000	0	80,000
Cash Paid for Interfund Advances	(80,000)	0	(80,000)
Operating Transfers - Out	(6,546)	0	(6,546)
Residual Equity Transfers - In	0	61,318	61,318
Net Cash Flows Used for Non-Capital Financing Activities	<u>(6,546)</u>	<u>61,318</u>	<u>54,772</u>
<u>Cash Flows from Capital And Related Financing Activities:</u>			
Acquisition and Construction of Capital Assets	(3,659,215)	0	(3,659,215)
Cash Received from Tap-In Fees	94,966	0	94,966
Cash Paid to Refunded Bond Escrow Agent	(5,205,349)	0	(5,205,349)
Principal Paid on Revenue Bonds	(545,000)	0	(545,000)
Interest Paid on Revenue Bonds	(845,557)	0	(845,557)
Proceeds from General Obligation Bonds	498,110	0	498,110
Proceeds from Refunding Bonds	4,965,718	0	4,965,718
Interest Paid on General Obligation Bonds	(68,745)	0	(68,745)
Issuance Costs Paid on General Obligation Bonds	(102,854)	0	(102,854)
Principal Paid on ODWA Debt	(220,564)	0	(220,564)
Interest Paid on ODWA Debt	(94,015)	0	(94,015)
Principal Paid on Capital Leases	(448)	0	(448)
Interest Paid on Capital Leases	(282)	0	(282)
Net Cash Flows Used for Capital and Related Financing Activities	<u>(5,183,235)</u>	<u>0</u>	<u>(5,183,235)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(73,200)	0	(73,200)
Change in Fair Value of Cash and Cash Equivalents	(598,932)	0	(598,932)
Cash Received from Interest	116,576	0	116,576
Net Cash Used for Investing Activities	<u>(555,556)</u>	<u>0</u>	<u>(555,556)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	191,171	(32,421)	158,750
Cash and Cash Equivalents at Beginning of Year	<u>15,562,834</u>	<u>228,470</u>	<u>15,791,304</u>
Cash and Cash Equivalents at End of Year	<u><u>\$15,754,005</u></u>	<u><u>\$196,049</u></u>	<u><u>\$15,950,054</u></u>

(continued)

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City of Lima, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For The Year Ended December 31, 1999
 (continued)

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$4,204,843	(\$1,187,820)	\$3,017,023
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	2,090,007	0	2,090,007
<u>Changes in Assets and Liabilities:</u>			
(Increase) Decrease in Accounts Receivable	(316,394)	107,000	(209,394)
Decrease in Intergovernmental Receivables	14,000	0	14,000
Decrease in Material and Supplies Inventory	6,769	0	6,769
Increase in Prepaid Items	(1,324)	0	(1,324)
Increase in Accounts Payable	157,368	14,767	172,135
Increase in Contracts Payable	24,580	0	24,580
Decrease in Accrued Wages	(70,483)	0	(70,483)
Decrease in Compensated Absences	(79,363)	0	(79,363)
Increase in Retainage Payable	24,146	0	24,146
Decrease in Intergovernmental Payable	(120,738)	0	(120,738)
Increase in Claims Payable	0	972,314	972,314
Increase in Refundable Deposits	3,097	0	3,097
Net Cash Provided by (Used for) Operating Activities	<u>\$5,936,508</u>	<u>(\$93,739)</u>	<u>\$5,842,769</u>

Noncash Capital Financing Activities:

The water and sewer funds transferred fixed assets with a net book value of \$307,942 to the general fixed assets account group.

See Accompanying Notes to the General Purpose Financial Statements

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

NOTE 1 - REPORTING ENTITY

The City of Lima (the "City") is a home rule municipal corporation organized 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 a nine-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 the Sinking Fund Board of Trustees.

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 issuance of debt, or the levying of taxes. There are no component units included in the reporting entity of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

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

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities, except those accounted for in the proprietary funds, are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

General Fund. The general fund is the general operating fund of the City. This fund is used to account for all financial resources of the City 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 an ordinance of the City and/or the general laws of Ohio.

Special Revenue Funds. The special revenue funds are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Funds. The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs and special assessment long-term debt principal, interest, and related costs.

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

Proprietary Fund Types:

The proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The following proprietary fund types are utilized by the City:

Enterprise Funds. The enterprise funds are 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 services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has 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.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

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.

Fiduciary Fund Types:

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group. The general fixed assets account group is used to account for all fixed assets of the City, other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group. The general long-term obligations account group is used to account for all unmatured long-term obligations of the City, except that which are accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statement present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types, expendable trust fund, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year end, which the City considers thirty-one days after year end.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: municipal income taxes, shared revenues, reimbursements due from state or federally funded projects for which corresponding expenditures have been made, and investment earnings. Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2000 operations, have also been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general long-term and special assessment long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is used for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budgetary information of the Sinking Fund Board of Trustees and the trustee accounts for the revenue bonds is not presented because they are not included in the entity for which the "appropriated budget" is adopted and separate budgetary records are not maintained.

Tax Budget:

Prior to July 15, the City Auditor submits to the City Council a proposed operating budget for the year commencing the following January 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than July 20, the Council-adopted budget is filed with the Allen County Budget Commission for rate determination.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

Mayor's Estimate

On or before December 15, the Mayor prepares an estimate of the cost of conducting the affairs of the City for the following year to be used for the preparation of the annual appropriations. The estimate includes an itemized estimate of each department's cost, comparisons of the estimate with the prior two year's actual cost for each department, explanations for increases or decreases, and an itemization of anticipated revenue from all sources.

Estimated Resources:

Prior to October 1, the City accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the estimated beginning of year fund balance and the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the City Auditor and the County Budget Commission finds the revised estimates to be reasonable. The amounts reported in the financial statements reflect the amounts in the final amended certificate issued during the year 1999.

Appropriations:

By March 31, the annual appropriation resolution must be legally enacted by the City at the fund, department, and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the City may pass a temporary appropriations measure to control the level of expenditures for all funds. The appropriation ordinance, by fund, must be within the estimated resources as certified by the County Budget Commission. The City may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources. During the year, several supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Budgeted Level of Expenditure:

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, appropriations are made by department and major object levels, which include salaries, fringe benefits, other expenditures/expenses, capital outlay, and transfers-out.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents and Investments

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" on the combined balance sheet.

The City utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet 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 sinking fund trustees are recorded on the balance sheet 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 covenants are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents - Restricted."

Investments, except for repurchase agreements and non-negotiable certificates of deposit, are reported at fair value, which is based on quoted market prices. Repurchase agreements and non-negotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the Ohio State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shared price, which is the price the investment could be sold for at December 31, 1999.

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 and federal grants. Investment income credited to the General Fund during 1999 amounted to \$665,914, which includes \$537,800 assigned from other City funds.

For 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.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

E. Materials and Supplies Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund type when used. The reserve for inventory within the governmental funds indicates that a portion of the fund balance is not available for future expenditures. At December 31, 1999, the street repair and recreation activity special revenue funds and the water and sewer enterprise funds maintained inventories.

F. Notes Receivable

Notes receivable represent 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items by 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.

H. Unamortized Bond Issuance Costs

In governmental fund types, bond issuance costs are expensed in the current period. Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method.

I. Restricted Assets/Liabilities

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, 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.

J. Interfund Assets/Liabilities

Receivables and payables arising between funds for goods or services rendered are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "interfund receivables/payables."

Long-term interfund loans are reported as advances to/from other funds. Advances to other funds are equally offset by a fund balance reserve account in governmental funds which indicates that they do not constitute "available expendable resources" since they are not a component of net current assets.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

K. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received.

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the City.

Fixed assets associated with proprietary fund activities are accounted for in those funds. Depreciation is calculated using the straight line method over the assets' estimated useful lives. Depreciation expense on assets constructed or acquired through capital grants is closed to retained earnings. The assets of the enterprise funds are depreciated on the following basis:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	45 - 50 years
Equipment	5 - 20 years
Vehicles	6 - 10 years
Water and Sewer Lines	30 - 99 years

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. For 1999, there was no interest capitalized.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive the 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. 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.

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

M. Accrued Liabilities and Other Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether or not they will be liquidated with current resources. However, compensated absences, and contractually required pension contributions are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 31 days after year end are considered not to have used current available expendable financial resources. Bonds, capital leases, and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise fund.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with capital grants is expensed and closed to contributed capital at year end.

O. Reserves of Fund Equity

Reserves of fund equity indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Governmental fund balances are reserved for encumbrances, inventory, and notes receivable. In proprietary funds, reservations of retained earnings indicate the accumulation of earnings to be used for plant improvement and replacement and operations in accordance with revenue bond covenants.

P. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

Q. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the enterprise funds, the subsequent return of all or part of such contributions, the transfer of residual balances of discontinued funds or projects to the general fund, capital projects fund, or debt service funds (when financed with debt proceeds), and the transfer of fixed assets from the proprietary funds to the general fixed assets account group are classified as residual equity transfers. Additionally, in 1998 certain assets in the amount of \$61,318 were recorded in the general fund. These assets in 1999 are now recorded in the internal service fund, thus a residual equity transfer was recorded to account for the current intended use of these assets.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed. Quasi-external transactions are accounted for as revenues and expenditures or expenses.

R. Use of Estimates

The preparation of the 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 could differ from those estimates.

S. Total Columns on Combined Financial Statements

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

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The following accounts had expenditures (including encumbrances) in excess of appropriations, at the legal level of appropriation for the year ended December 31, 1999:

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Traffic Parking Control			
Debt Service			
Interest and Fiscal Charges	\$0	\$13,914	(\$13,914)
Street Repair			
Transportation			
Other Expenses	1,968,944	1,976,112	(7,168)
Community Police			
Security of Persons and Property			
Salaries	44,000	45,040	(1,040)
Debt Service Funds:			
General Bond Retirement			
Debt Service			
Interest and Fiscal Charges	232,098	242,550	(10,452)
Capital Projects Fund:			
Court Computers			
Capital Outlay			
Fringe Benefits	6,000	6,010	(10)
Enterprise Funds:			
Water			
Debt Service	713,080	3,020,019	(2,306,939)
Sewer			
Debt Service	622,136	3,184,384	(2,562,248)
Refuse			
Debt Service	0	7,997	(7,997)

The following funds had appropriations in excess of estimated resources plus available balances for the year ended December 31, 1999.

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$26,666,763	\$27,117,391	\$450,628
Debt Service Fund			
Special Assessment	344,496	350,000	5,504
Enterprise Fund			
Sewer	18,516,547	19,984,908	1,468,361

Section 5705.10, Revised Code, states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit cash balance. The Street Repair and Law Enforcement Block Grant special revenue funds had a deficit cash balance on a budgetary basis at year end in the amount of \$435,822 and \$18,151, respectively. On a GAAP basis, the deficit cash is reported as an interfund payable to the General Fund.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
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B. Accountability

At December 31, 1999, the Street Repair and Law Enforcement Block Grant special revenue funds had deficit fund balances of \$345,473 and \$36,464 respectively, which was created by the application of generally accepted accounting principles. The Refuse enterprise fund had a deficit of \$182,373 which was caused by the operating loss in the current year. The Health Benefits internal service fund had a deficit retained earnings of \$1,412,307 caused by the accumulation of operating losses. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when deficits occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (2) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (3) Cash accounts which are held separately by the City, the Sinking Fund Board of Trustees, and the trustee accounts for the revenue bonds are not budgeted but are recorded on the GAAP basis;
- (4) Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes to the general purpose financial statements for proprietary fund types (GAAP basis);
- (5) Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis); and
- (6) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis);

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

City of Lima, Ohio
Notes to the General Purpose Financial Statements
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Excess of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Financing (Uses)					
All Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$669,987	(\$121,269)	\$372	\$117,781	\$13,880
Adjustments for:					
Revenue Accruals	103,257	867,402	(9,667)	(434)	0
Expenditure Accruals	(445,206)	54,693	66,335	(7,580)	(1,807)
Cash Adjustments:					
Prior Year	51,708	33	0	0	0
Current Year	(96,757)	(19,410)	0	0	0
Changes in Prepaids	(906)	0	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(936,861)	(1,200,654)	0	(24,386)	0
Net Transaction of Nonbudgeted Cash	0	0	(3,331)	0	0
Reallocation of Resources for Debt Service	0	0	277,225	0	0
Reallocation of Debt Activity	0	0	(277,225)	0	0
Revolving Loans:					
Issued	0	(431,821)	0	0	0
Payments	0	393,399	0	0	0
Notes Payable:					
Issued	748,000	0	0	0	0
Payments	(748,000)	0	0	0	0
Net Change of Fair Value of Investments	296,388	0	0	0	0
Budget Basis	(\$358,390)	(\$457,627)	\$53,709	\$85,381	\$12,073

City of Lima, Ohio
Notes to the General Purpose Financial Statements
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NOTE 5 - 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.

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 monies may be deposited or invested in the following:

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

City of Lima, Ohio
Notes to the General Purpose Financial Statements
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The City may also invest any monies not required to be used for a period of six months or more in the following:

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Prior to September 1996, the effective date of changes in State statutes, the City invested in collateralized mortgage obligations to maximize yields. These securities are based on cash flows from interest payments on the underlying mortgages; therefore, the securities are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At year end, the carrying amount of the City's deposits was \$2,792,875 and the bank balance was \$3,861,309. Of the bank balance, \$823,532 was covered by federal depository insurance, by collateral held by the City or by collateral held by the City's agent in the name of the City. The remaining balance was uninsured and uncollateralized. Although the deposit's collateral were held by the pledging financial institutions' trust department and are in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City's investments are categorized below to give an indication of the level of custodial risk assumed by the City at year end. Category 1 includes insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio and mutual funds are an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
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Securities	Category			Carrying Value	Fair Value
	1	2	3		
Manuscript Bonds	\$314,802	\$0	\$0	\$314,802	\$314,802
Repurchase Agreements	0	0	1,969,178	1,969,178	1,969,178
Federal Home Loan Mortgage Corporation Mortgage Participation Certificates	0	2,802,784	0	2,802,784	2,802,784
Federal Farm Credit Bank Construction Bonds	0	3,461,654	0	3,461,654	3,461,654
Federal National Mortgage Association Medium Term Notes	0	1,978,990	0	1,978,990	1,978,990
U.S. Treasury Notes	0	0	2,471,253	2,471,253	2,471,253
	<u>\$314,802</u>	<u>\$8,243,428</u>	<u>\$4,440,431</u>	<u>\$12,998,661</u>	<u>12,998,661</u>
Monitor Treasury Market Fund II					1,877,514
STAR Ohio					4,043,518
Bank One Money Market Mutual Fund					358,378
Grand Total					<u>\$19,278,071</u>

The classification of cash and cash equivalents and investments on the combined balance sheet are based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the City's cash management pool. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents\	
	Deposits	Investments
GASB Statement No. 9	\$21,756,144	\$314,802
Investments:		
Repurchase Agreements	(1,969,178)	1,969,178
STAR Ohio	(4,043,518)	4,043,518
Monitor Treasury Market Fund II	(1,877,514)	1,877,514
Federal Home Loan Mortgage Corporation Mortgage Participation Certificates.	(2,802,784)	2,802,784
Federal Farm Credit Bank Construction Bonds	(3,461,654)	3,461,654
Federal National Mortgage Association Medium Term Notes	(1,978,990)	1,978,990
Bank One Money Market Mutual Fund	(358,378)	358,378
U.S. Treasury Notes	(2,471,253)	2,471,253
GASB Statement No. 3	<u>\$2,792,875</u>	<u>\$19,278,071</u>

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

NOTE 6 - 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 to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated 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 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 1999 represent the collection of 1998 taxes. For 1999, real property taxes were levied after October 1, 1999, on the assessed values as of January 1, 1999, the lien date. These taxes will be collected in and are intended to finance 2000 operations. Assessed values for real property taxes are established by 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 1996. Real property taxes are payable annually or semiannually. The first payment is due December 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 taxes were levied after October 1, 1999, on the assessed values as of December 31, 1998, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 1999 (other than public utility property) represent the collection of 1999 taxes. For 1999, tangible personal property taxes were levied after October 1, 1998, on the true value as of December 31, 1998, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

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.

Accrued property taxes receivable represents delinquent taxes outstanding and real, public utility, and tangible personal property taxes which were measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 1999 operations.

The full tax rate for all City operations for the year ended December 31, 1999, was \$3.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

City of Lima, Ohio
Notes to the General Purpose Financial Statements
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Category	Assessed Value
Real Estate	
Residential/Agricultural	\$168,305,600
Commercial/Industrial	84,137,910
Tangible Personal	50,525,493
Public Utility Real	214,650
Public Utility Personal	31,657,280
Total	\$334,840,933

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999, consisted of taxes, utility accounts, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments, and notes. All receivables are considered to be fully collectible including utility services. A summary of utility accounts receivable is as follows:

Water	\$1,388,712
Sewer	1,230,217
Refuse	348,721
Total	\$2,967,650

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 \$1,755,644 with uncollectible of \$209,587 at December 31, 1999. The notes are recorded net of an allowance for uncollectibles in the amount of \$1,546,057.

A summary of the principal items of intergovernmental receivables follows:

Fund Type/Fund/Source	Amounts
GENERAL FUND	
Estate Taxes	\$451,203
Local Government	152,527
Lima Board of Education	275
Allen County	5,358
Bureau of Workers Compensation	11,686
Municipal Court	96,306
Auditor of State	8,918
Water District Fees	6,230
Total General Fund	732,503
SPECIAL REVENUE FUNDS	
Indigent Alcohol Treatment	
Municipal Court	\$1,189

(continued)

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

Drug, Enforcement and Education	
Municipal Court	\$453
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Traffic Patrol Control	
Municipal Court	3,642
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State Highway	
Allen County	1,107
Gasoline Excise Tax	2,956
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Total State Highway	4,063
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Street Repair	
Bower Road Grant	68,607
Allen County	13,649
Gasoline Excise Tax	36,462
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Total Street Repair	118,718
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Law Enforcement Trustee	
Municipal Court	294
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Community Policing	
Anti Gang Coalition Grant	14,646
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Total Special Revenue Funds	143,005
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CAPITAL PROJECTS FUNDS	
Legal Research/Court Computers	
Municipal Court	4,176
Court Computers	
Municipal Court	15,802
Court Capital Improvement	
Municipal Court	6,654
<hr/>	
Total Capital Projects Funds	26,632
<hr/>	
Grand Total	\$902,140
<hr/>	

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

The summary of changes in general fixed assets during 1999 is as follows:

	Balance 12/31/98	Additions	Deletions	Balance 12/31/99
Land	\$2,314,877	\$1,284,906	\$936	\$3,598,847
Buildings	5,412,220	703,191	0	6,115,411
Equipment	3,907,077	382,106	377,811	3,911,372
Vehicles	4,022,656	306,745	323,443	4,005,958
Construction in Progress	927,000	3,735,007	0	4,662,007
<hr/>				
Total	\$16,583,830	\$6,411,955	\$702,190	\$22,293,595
<hr/>				

Construction in progress consists of a parking garage.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

B. Enterprise Fund Fixed Assets

Enterprise fixed assets relate to the water, sewer, and refuse funds. The balances as of December 31, 1999, were as follows:

	Amounts
Land	\$1,112,622
Building	25,949,239
Equipment	15,477,802
Vehicles	2,824,589
Water and Sewer Lines	25,987,964
Construction in Progress	521,093
Total Fund Fixed Assets	71,873,309
Less: Accumulated Depreciation	(43,400,366)
Total Fund Fixed Assets (net of accumulated depreciation)	\$28,472,943

Construction in progress consists mostly of water and sewer improvement projects that were not completed by year-end. These projects will be funded by future service charges and OWDA loans.

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 \$100 single and a \$200 family deductible for all employees other than the police department. The police department's deductibles are \$250 for single and \$500 for family. Under this program, the fund provides coverage for up to a maximum of \$75,000 for each individual. The City purchases stop-loss coverage for claims in excess of \$75,000 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 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 or unallocated claim adjustment expenses. Claims payable at December 31, 1999, are estimated based on past experience in payment of claims at \$1,548,526.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
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	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Stop Loss	Claims Payments	End of Year Liability
1998	\$514,139	\$2,485,927	\$107,000	\$2,530,854	\$576,212
1999	576,212	3,474,079	1,740	2,503,505	1,548,526

B. Other Insurance Coverage

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 1999 the City contracted with a third party for insurance as follows:

Company	Type of Coverage	Deductible
Author J. Gallagher and Co.	Buildings and Contents	*
	Auto Insurance	*
	General Liability	*
	Law Enforcement Officers'	*
	Professional Liability	*
	Auto Liability	*
	Commercial Blanket Bond	*
	Employee Benefit Liability	*
	Uninsured Motorist Coverage	*
	Excess Property	*
	Boiler and Machinery	1,000
	Public Officials Liability	10,000
	Depositor Forgery Bond	None
	Public Official Blanket Bond	None

* The combined insurance coverage includes an annual aggregate deductible of \$100,000 and 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.

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.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

NOTE 11 - EMPLOYEE BENEFITS

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 with the City is paid 25 percent of his accrued but unused sick leave, up to a maximum of thirty accrued sick days.

Unpaid compensated absences at year end is reported in the general long-term obligations account group in the amount of \$2,239,155. An accrual of \$653,000 for compensated absences payable is reported within the enterprise funds.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual-covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 9.35 percent was the portion used to fund pension obligations. Prior to January 1, 1998, the portion used to fund pension obligations was 8.44 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to PERS for the years ended December 31, 1999, 1998, and 1997, were \$953,128, \$927,333, and \$871,012, respectively; 91 percent has been contributed for 1999 and 100 percent has been contributed for 1998 and 1997. The unpaid contribution for 1999, in the amount of \$127,065, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to qualified participants and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. The report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

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Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police (12.5 percent was the portion used to fund pension obligations) and 24 percent for firefighters (17 percent was the portion used to fund pension obligations). Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 1999, 1998, and 1997, were \$1,038,618, \$997,715, and \$1,060,555, respectively; 71 percent has been contributed for 1999 and 100 percent has been contributed for 1998 and 1997. The unpaid contribution for 1999, in the amount of \$430,813, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers." A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employers' contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999.

Benefits were funded on a pay-as-you-go-basis. OPB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

During 1999, OPB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPB through PERS was 118,062. The City's actual contributions for 1998 which were used to fund OPB were \$428,143.

B. Police and Firemen's Disability Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty-two if attending school full-time or a two-thirds basis.

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The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting are on a pay-as-you-go basis. The total police employers' contribution rate is 19.5 percent of covered payroll and the total firefighter employers' contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirants have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$267,510 for police and \$230,967 for fire. The Fund's total health care expense for the year ending December 31, 1998, (the latest information available), was \$78,596,790.

NOTE 14 - SHORT-TERM OBLIGATIONS

Note debt activity for the year ended December 31, 1999, consisted of the following:

	Interest Rate %	Balance 12/31/98	Increase	Decrease	Balance 12/31/99
<u>General Obligation Notes</u>					
<u>General Fund</u>					
River Corridor Project	4.25	\$0	\$748,000	\$748,000	\$0

By Ohio law, notes can be issued in anticipation of general obligation bond proceeds, or for up to 50 percent of anticipated revenue collections.

NOTE 15 - LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 1999, were as follows:

	Interest Rate %	Balance 12/31/98	Increase	Decrease	Balance 12/31/99
GENERAL LONG-TERM OBLIGATIONS					
<u>Special Assessment Bonds:</u>					
1978 Cable Road Lift Station	13.500	\$8,000	\$0	\$2,000	\$6,000
1980A Special Assessments	8.500	80,000	0	40,000	40,000
1983B South Main Street CBD	8.750	20,000	0	4,000	16,000
1987 Industry Avenue	7.250	180,000	0	18,000	162,000
1988 Gardendale Sewer Improvement	10.000	20,000	0	4,000	16,000
1992 West Elm and North Street	5.500	140,000	0	35,000	105,000
1994 Jackson Street Improvements	5.500	42,000	0	7,000	35,000
1994 Combined Sidewalks	5.500	4,000	0	4,000	0

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City of Lima, Ohio
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1995 Elm/Woodlawn/Pine Street	5.200	255,000	0	35,000	220,000
1996 Market/Collet/Elmwood	5.800	120,000	0	15,000	105,000
1995 Combined Sidewalks	6.000	30,000	0	10,000	20,000
1996 Combined Sidewalks	4.750	43,736	0	10,934	32,802
1997 Combined Sidewalks	4.750	128,000	0	23,000	105,000
1999 Combined Sidewalks	5.250	0	100,000	0	100,000
Total Special Assessment Bonds		<u>\$1,070,736</u>	<u>\$100,000</u>	<u>\$207,934</u>	<u>\$962,802</u>

Unvoted General Obligation Bonds

1988 Municipal Center	7.223	\$1,035,000	\$0	\$1,035,000	\$0
1999 Various Purpose Refunding Bonds	4.0 - 5.8				
Municipal Center Refunding		0	1,130,000	0	1,130,000
Parking Facility		0	750,000	0	750,000
Total Unvoted General Obligation Bonds		<u>1,035,000</u>	<u>1,880,000</u>	<u>1,035,000</u>	<u>1,880,000</u>

Other Long-Term Obligations

Compensated Absences		2,021,366	217,789	0	2,239,155
Intergovernmental Payables		569,527	446,374	569,527	446,374
Police and Fire Pension		678,597	0	678,597	0
Judgment Payable		110,000	0	0	110,000
Loans Payable		217,294	0	44,429	172,865
Capital Leases		264,377	99,799	92,066	272,110
Total Other Long-Term Obligations		<u>3,861,161</u>	<u>763,962</u>	<u>1,384,619</u>	<u>3,240,504</u>
Total General Long-Term Obligations		<u>5,966,897</u>	<u>2,743,962</u>	<u>2,627,553</u>	<u>6,083,306</u>

ENTERPRISE FUND OBLIGATIONS

Revenue Bonds

1992 Water Revenue Refunding Bonds	Various	6,825,000	0	2,655,000	4,170,000
1992 Sewer Revenue Refunding Bonds	Various	7,065,000	0	2,905,000	4,160,000
Total Enterprise Revenue Bonds		<u>13,890,000</u>	<u>0</u>	<u>5,560,000</u>	<u>8,330,000</u>

Unvoted General Obligation Bonds

1999 Various Purpose Refunding Bonds	4.0 - 5.8				
Refuse Bonds		0	500,000	0	500,000
Unamortized Discount		0	0	1,890	(1,890)
Total Refuse Bonds		<u>0</u>	<u>500,000</u>	<u>1,890</u>	<u>498,110</u>
Water Refunding		0	2,380,000	0	2,380,000
Unamortized Accounting Loss		0	0	134,389	(134,389)
Unamortized Discount		0	0	33,664	(33,664)
Total Water Refunding		<u>0</u>	<u>2,380,000</u>	<u>168,053</u>	<u>2,211,947</u>
Sewer Refunding		0	2,665,000	0	2,665,000
Unamortized Accounting Loss		0	0	156,436	(156,436)
Unamortized Discount		0	0	39,072	(39,072)
Total Sewer Refunding		<u>0</u>	<u>2,665,000</u>	<u>195,508</u>	<u>2,469,492</u>
Total Unvoted General Obligation Bonds		<u>0</u>	<u>5,545,000</u>	<u>365,451</u>	<u>5,179,549</u>

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City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

Other Long-Term Obligations

OWDA Loans	5.500	1,764,507	0	220,564	1,543,943
Capital Leases		1,241	0	448	793
Total Enterprise Other Long-Term		<u>1,765,748</u>	<u>0</u>	<u>221,012</u>	<u>1,544,736</u>
Total Enterprise Fund Obligations		<u>15,655,748</u>	<u>5,545,000</u>	<u>6,146,553</u>	<u>15,054,195</u>
Total - All Long-Term Obligations		<u>\$21,622,645</u>	<u>\$8,288,962</u>	<u>\$8,774,106</u>	<u>\$21,137,501</u>

General Obligation Bonds - All general obligation bonds are supported by the full faith and credit of the City. General obligation bonds presented as a liability in the General Long-Term Obligations Account Group will be retired through the Debt Service Fund.

1999 Various Purpose General Obligation Refunding Bonds - On September 1, 1999, the City issued \$7,425,000 in general obligation bonds with an average interest rate of 5.137 percent for the construction of the new parking facility and to purchase recyclable trash containers in the amount of \$750,000 and \$500,000, respectively, and to advance refund the municipal center general obligation bonds, a portion of the 1992 sewer revenue refunding bonds, and a portion of the 1992 water revenue refunding bonds in the amounts of \$1,035,000, \$2,325,000, \$2,690,000, respectively, with an average interest rate of 6.388 percent.

The municipal building refunding and the new parking facility general obligation bonds were issued with a discount of \$6,145 and \$18,628, respectively.

The net proceeds related to the refunding of the debt and City's contribution after payment of underwriting fees, insurance, and other issuance costs were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the sewer mortgage revenue bonds. A schedule of the net proceeds and issuance costs for the separate refunding issues is as follows:

Debt Issue	Net Proceeds	City Contribution	Issuance Costs
Municipal Center G. O. Bonds	\$1,087,482	\$0	\$28,668
Water Revenue Refunding Bonds	2,277,019	136,228	66,557
Sewer Revenue Refunding Bonds	2,548,864	243,238	73,872

As a result, \$1,035,000 of the municipal center general obligation bonds, \$2,325,000 of the 1992 water revenue refunding bonds, and \$2,690,000 of the 1992 sewer revenue refunding bonds are considered to be defeased and the liability for those bonds has been removed in 1999 from the General Long-Term Obligations Account Group, Water and Sewer Enterprise Funds. At December 31, 1999, \$5,015,000 of the bonds outstanding are considered defeased by assets of \$5,231,676 held in the irrevocable trust.

Although the advance refunding resulted in the recognition of an accounting loss in the Water and Sewer Enterprise Funds for the year ended December 31, 1999, the City in effect decreased its aggregate debt service payments over the next 11 years and obtained an economic gain (difference between the present values of the old and new debt service payments). A schedule for the accounting loss, decrease in debt service and the economic gain for the refunded debt is as follows:

City of Lima, Ohio
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Debt	Accounting Loss	(Increase)/ Decrease in Debt Service	Economic Gain
Municipal Center G. O. Bonds	N/A	(\$84,372)	\$49,547
Water Revenue Refunding Bonds	\$134,389	379,804	108,463
Sewer Revenue Refunding Bonds	156,436	221,899	94,877

Special Assessment Bonds - Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefitted from the project. Special assessment monies will be received in 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.

Police and Fire Pension Liability - The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police personnel in 1967. In 1999, the Police and Firemen's Disability and Pension Fund offered a one-time discounted principal payoff. The City exercised this option and paid \$466,024 to retire entire accrued liability.

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.

Loans Payable - The loans payable represent amounts borrowed for the acquisition of computer equipment and fire truck. The loans will be paid from the General Fund and the Court Computers Capital Projects Fund.

OWDA Loans - The OWDA loans payable represent amounts borrowed from the Ohio Water Development Authority for the construction of sewer system improvements. The loans will be paid from Sewer Enterprise Fund revenue.

Intergovernmental Payable - The intergovernmental payable, representing the City's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

Revenue Refunding Bonds - The revenue refunding bonds pledge 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 be 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.

The revenue refunding bonds maturing on December 1, 2012 are subject to mandatory sinking fund redemption in part by lot. The mandatory redemptions are to occur on December 1 in each of the years 2005 through 2011 to be paid at stated maturity on December 1, 2012 at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, according to the following schedule:

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Year	Water	Sewer	Total
2005	\$405,000	\$190,000	\$595,000
2006	435,000	210,000	645,000
2007	460,000	285,000	745,000
2008	490,000	360,000	850,000
2009	450,000	380,000	830,000
2010	0	405,000	405,000
2011	0	430,000	430,000
2012	0	455,000	455,000

A portion of the bonds maturing on or after December 1, 2003 are subject to optional redemption at the direction of the City, either in whole or in part in integral multiples of \$5,000 on any June 1 or December 1, commencing December 1, 2002 at the redemption prices (expressed as percentages of the principal amount redeemed) set forth below:

Redemption dates (dates inclusive)	Redemption Prices	
	Water	Sewer
December 1, 2002 through November 30, 2003	102%	102%
December 1, 2003 through November 30, 2004	101%	101%
December 1, 2004 and thereafter	100%	100%

Principal and interest requirements to retire general long-term debt obligations outstanding at December 31, 1999 are as follows:

	General Obligation	Special Assessments	Loans	Total
2000	\$111,340	\$283,065	\$55,233	\$449,638
2001	115,740	229,033	53,087	397,860
2002	119,890	208,351	50,821	379,062
2003	118,790	155,335	48,427	322,552
2004	117,665	114,730	7,829	240,224
2005-2009	1,343,318	159,740	0	1,503,058
2010-2014	558,055	0	0	558,055
2015-2019	475,400	0	0	475,400
	<u>\$2,960,198</u>	<u>\$1,150,254</u>	<u>\$215,397</u>	<u>\$4,325,849</u>

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 1999 from the enterprise funds are as follows:

City of Lima, Ohio
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	Revenue Bonds	General Obligation	OWDA Loans	Total
2000	\$1,081,817	\$414,633	\$302,448	\$1,798,898
2001	1,096,078	454,032	290,317	1,840,427
2002	1,111,703	471,170	278,186	1,861,059
2003	1,118,902	506,930	266,055	1,891,887
2004	1,132,502	509,455	253,924	1,895,881
2005-2009	4,806,560	2,694,645	471,454	7,972,659
2010-2012	1,455,690	3,099,540	0	4,555,230
	<u>\$11,803,252</u>	<u>\$8,150,405</u>	<u>\$1,862,384</u>	<u>\$21,816,041</u>

As of December 31, 1999, the City's overall legal debt margin was \$33,278,298.

Authorized but Unissued Loan

In 1999, the City received approval for a loan from the Ohio Water Development Authority in the amount of \$7,413,120. The loan will finance the wastewater treatment plant renovations and upgrades as identified by the 1996 water and sewer needs assessment. The loan will be repaid by the Sewer Enterprise Fund.

NOTE 16 - INTERFUND TRANSACTIONS

As of December 31, 1999, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable/Payable		Advances to/From Other Funds	
	Receivable	Payable	Advances to	Advances From
General Fund	\$453,973	\$0	\$0	\$0
Special Revenue Funds:				
Street Repair	0	435,822	0	0
Law Enforcement Block Grant	0	18,151	0	0
Debt Service Funds:				
General Obligation Bond	0	145,032	0	0
Special Assessment Bond	115,737	0	0	0
Enterprise Funds:				
Water	21,739	0	292,240	0
Sewer	2,244	0	0	292,240
Agency Fund	0	0	0	0
Hospital General Obligations	5,312	0	0	0
Total	<u>\$599,005</u>	<u>\$599,005</u>	<u>\$292,240</u>	<u>\$292,240</u>

During 1999, the City transferred fixed assets from the Water and Sewer Enterprise Funds with a net book value of \$307,942 to the General Fixed Assets Account Group; therefore, residual equity transfers do not balance.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into some capitalized leases for equipment and automobiles. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as program expenditures in combined financial statements for the governmental funds and as a reduction of the liability in the enterprise funds. General fixed assets consisting of equipment and automobiles have been capitalized in the General Fixed Assets Account Group in the amount \$485,155 and in the enterprise funds in the amount of \$2,000 with a book value of \$800. This amount represents the present value of the minimum lease payments at the time acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group and in the enterprise funds. Principal payments in 1999 totaled \$92,066 in governmental funds and \$448 in the enterprise funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 1999.

Year Ending December 31,	GLTOAG	Enterprise
2000	\$84,094	\$950
2001	84,095	0
2002	48,872	0
2003	48,872	0
2004	48,872	0
Total Minimum Lease Payments	314,805	950
Less: Amount Representing Interest	(42,695)	(157)
Present Value of Minimum Lease Payments	<u>\$272,110</u>	<u>\$793</u>

NOTE 18 - RESERVED RETAINED EARNINGS AND RESTRICTED ASSET ACCOUNTS

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. Retained earnings was reserved as follows:

	Water	Sewer	Total
Revenue bond plant improvement and replacement	\$800,000	\$800,000	\$1,600,000
Revenue bond operations	903,381	789,258	1,692,639

City of Lima, Ohio
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The balances of the City's restricted asset accounts are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Restricted assets held by City for:</u>			
Customer deposits	\$231,067	\$0	\$231,067
Revenue bond plant improvements and replacement	800,000	800,000	1,600,000
Revenue bond operations	903,381	789,258	1,692,639
Total restricted assets held by City	<u>\$1,934,448</u>	<u>\$1,589,258</u>	<u>\$3,523,706</u>
<u>Restricted assets held by Trustee for:</u>			
Revenue bond current debt service	\$30,039	\$20,420	\$50,459
Revenue bond future debt service	623,067	563,092	1,186,159
Total restricted assets held by Trustee	<u>\$653,106</u>	<u>\$583,512</u>	<u>\$1,236,618</u>

NOTE 19 - OUTSTANDING CONTRACTUAL COMMITMENTS

As of December 31, 1999, the City had contractual purchase commitments as follows:

<u>Project</u>	<u>Outstanding Balance</u>
Phone System Upgrade	\$356,428
Water Chlorination Improvements	497,700
Water Treatment Improvements	183,192
Greely Chapel Water Line Replacement	138,939
Wastewater Treatment Improvements	558,577
Parking Garage Project	403,085
Street Resurfacing	232,548
Brower Road Reconstruction	169,219

NOTE 20 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City's enterprise funds account for the provision of water, sewer, and refuse. Key financial information as of and for the year ended December 31, 1999, for each enterprise fund is as follows:

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

Description	Water	Sewer	Refuse	Total
Operating Revenues	\$8,419,273	\$7,921,334	\$1,705,804	\$18,046,411
Depreciation Expense	872,958	1,217,049	0	2,090,007
Operating Income (Loss)	2,705,145	2,293,964	(794,266)	4,204,843
Net Income (Loss)	1,987,868	1,541,924	(798,756)	2,731,036
Residual Equity Transfers out	153,971	153,971	0	307,942
Current Capital Contributions from Tap in Fees	94,966	0	0	94,966
Fixed Assets:				
Additions	1,262,234	2,327,845	0	3,590,079
Deletions	67,428	206,282	0	273,710
Net Working Capital	4,196,904	1,103,342	285,293	5,585,539
Total Assets	22,106,858	25,156,124	851,885	48,114,867
Bonds and Other Long-Term Obligations:				
Revenue Bonds Payable	3,825,000	3,925,000	0	7,750,000
OWDA Loans	0	1,543,943	0	1,543,943
Compensated Absences	314,272	334,172	4,556	653,000
General Obligation Bonds	2,211,947	2,469,492	498,110	5,179,549
Advance from Other Funds	0	292,240	0	292,240
Total Equity	14,688,078	15,942,653	(182,373)	30,448,358
Encumbrances Outstanding (Budget Basis) at December 31, 1999	1,307,792	1,396,320	0	2,704,112

NOTE 21 - CONTINGENT LIABILITIES

A. Litigation

As of December 31, 1999, 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.

B. 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 agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1999.

City of Lima, Ohio
Notes to the General Purpose Financial Statements
December 31, 1999

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City of Lima, Ohio

Reports on Federal Awards in Accordance With OMB Circular A-133

December 31, 1999

(With Independent Auditors' Reports Thereon)

CITY OF LIMA, OHIO

Report on Federal Awards in Accordance with OMB Circular A-133

Year ended December 31, 1999

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**Independent Auditors' Report on Compliance and on
Internal Control Over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

The Honorable City Mayor
City of Lima, Ohio

and

The Honorable Jim Petro
Auditor of State

We have audited the general purpose financial statements of the City of Lima, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated January 23, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated January 23, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to City's management in a separate letter dated January 23, 2001.

This report is intended solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 23, 2001



Two Nationwide Plaza
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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB
Circular A-133 and Schedule of Expenditures of Federal Awards**

The Honorable City Mayor
City of Lima, Ohio

and

The Honorable Jim Petro
Auditor of State Board of Trustees:

Compliance

We have audited the compliance of The City of Lima, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the "Summary of Auditors' Results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in items 99-3 and 99-4 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable and unallowed activities and allowable costs/cost principles that are applicable to its Community Development Block Grant; and special tests and provisions that are applicable to its HOME Renewal Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-3 through 99-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider items 99-4 and 99-5 to be a material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City as of and for the year ended December 31, 1999, and have issued our report thereon dated January 23, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 23, 2001

CITY OF LIMA, OHIO

Schedule of Expenditures of Federal Awards

Year ended December 31, 1999

Federal Grantor/Program Title	<u>CFDA Number</u>	<u>Agency or Pass through Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grant	14.218	MC-39-0014	\$ 1,596,794
HOME Renewal Program	14.239	MC-39-0219	369,016
HOME Renewal Loan Program	14.239	MC-39-0219	126,115
HUD Drug Elimination Grant FY96	14.193	N/A	<u>9,575</u>
Total U.S. Department of Housing and Urban Development			<u>2,101,500</u>
 U.S. Department of Justice			
Direct Programs:			
COPS Program	16.710	CM-WX-0890	167,198
Weed & Seed Core	16.595	WS-Q8-0056	137,328
Asset for forfeiture	16.000	N/A	127,500
Parks not Prisons	16.523	JB-013-A049	14,539
Violence Against Women	16.588	WF-VA38115	73,729
Restorative Justice Grant	16.579	DG-B01-702	11,441
Local Law Enforcement Block Grant	16.592	LB-VX-3299	<u>439,141</u>
Total Direct Programs			970,876
 Pass through Ohio Dept. of Justice Byrne Grant	16.540	DG-BO2-7032	<u>33,376</u>
 Total U.S. Department of Justice			<u>1,004,252</u>
 Total federal assistance			<u>\$ 3,105,752</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF LIMA, OHIO

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 1999

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Lima, Ohio (the City). The City's reporting entity is defined in Note 1 to the City's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting in expenses are recognized when paid.

(3) Loan Program

The City had the following loan balances outstanding at December 31, 1999. These loan balances outstanding are also included in the federal expenditures presented in the Schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Home Renewal Loan Program (Rental Assistance)	14.239	\$126,115

CITY OF LIMA, OHIO

Part III – Schedule of Findings and Questioned Costs

Year ended December 31, 1999

(1) Summary of Auditors' Results:

- | | | |
|-----|--|--|
| (a) | <i>Type of report issued on the general purpose financial statements:</i> | Unqualified opinion |
| (b) | <i>Reportable conditions in internal control were disclosed by the audit of the financial statements:
Material weaknesses:</i> | Yes
No |
| (c) | <i>Noncompliance which is material to the general purpose financial statements:</i> | No |
| (d) | <i>Reportable conditions in internal control over major programs:
Material weaknesses:</i> | Yes
Yes |
| (e) | <i>Type of report issued on compliance for major programs:</i> | Qualified for the HOME
Renewal Program and Community Development Block Grant, and unqualified for the
Local Law Enforcement Block Grant. |
| (f) | <i>Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:</i> | Yes |
| (g) | Major programs: | Community Development Block Grant (CDBG) (14.218)
HOME Renewal Program (HOME) (14.239)
Local Law Enforcement Block Grant (LLEBG) (16.592) |
| (h) | <i>Dollar threshold used to distinguish between Type A and Type B programs:</i> | \$300,000 |
| (i) | <i>Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133:</i> | No |

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:

Finding 99-1 -- Understanding of Generally Accepted Accounting Principles

Throughout our audit, we noted that City personnel had difficulty in explaining transactions that occurred during the year on a cash basis and at year-end on an accrual basis (GAAP basis). Even though the City receives accrual assistance at year-end, one of the City's fundamental responsibilities is to take responsibility for its financial reporting process, which includes an understanding of the basic general purpose financial statements and the related notes to these statements. We extended audit procedures to assist management in the area of account analysis to understand and ascertain the propriety of the fluctuations of balances throughout the year.

The City should review financial statements and related accounts throughout the year. This review will 1) enhance the City's understanding of day to day activities, 2) help ensure consistent classification of revenues and expenditures from year to year, and 3) help to mitigate the potential for errors and/or irregularities to occur.

Finding 99-2 -- Bank Account Reconciliation

Timely account reconciliations of subsidiary accounting records is a critical component of a system of internal control, as well as of timely and accurate financial reporting. During our audit we noted that cash and investments were not properly reconciled to the bank balances. The District performed a portion of the bank reconciliation monthly; however, did not investigate differences, which fluctuated each month, to determine if they were appropriate reconciling items. Failure to timely and properly reconcile these accounts enhances risk that potential error or fraud could go undetected.

Reconciliations between the bank statements and the general ledger should be performed monthly and all reconciling items should be fully investigated and resolved promptly. The Auditor should review the reconciliations and any adjusting journal entries and document approval by initialing the reconciliation.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 99-3; CDBG (14.218) – Allowable Costs/Cost Principles

Criteria:

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented. If an employee works solely on one federal program and 100% of their salary or wages are charged to the program, the City must obtain a certification from the employee that 100% of their time is spent on the single federal program. This certification must be kept on file and is required to be obtained at least every six months.

Condition:

Employees whose salaries were fully funded by the CDBG program did not obtain semiannual certifications to support their payroll costs. Total payroll expenditures charged to the CDBG program for the year ended December 31, 1999 was \$530,519.

Questioned Costs:

Although the City does not currently require its employees to provide certification of their time, the City does have adequate controls in place to monitor the amount of payroll charged to CDBG. Additionally, the Director of Community Planning is fully aware of which employees spends 100% of their time on CDBG programs. Consequently, it appears that payroll costs have been properly charged to CDBG and therefore, the amount of questioned costs is \$0.

Effect:

Lack of required semiannual certifications may result in the City's expending grant funds for unallowed items.

Cause:

The City was not aware of the fact that they must obtain proper certification from employees who spend 100% of their time on a single Federal award or cost objective.

Recommendation:

We recommend the City alert the federal grant employees of this requirement and obtain semi-annual certifications of their time.

Finding 99-4; HOME (14.239) –Special Tests and Provisions

Criteria:

During the period of affordability (i.e., the period for which the non-Federal entity must maintain subsidized housing) for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than every three years for projects containing 1 to 4 units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards (24 CFR sections 92.251, 92.252, and 92.504(b)).

Condition:

The City only performed inspection on 1 of 3 required rental properties in 1999.

Questioned Costs:

Unknown

Effect:

Not performing required inspections may result in the City expending grant funds for unallowed items.

Cause:

The City sent out letters informing residents of the required inspections; however, the City has not received responses from these parties nor permission to enter into the premise.

Recommendation:

We recommend the City continue to follow up the required parties in order to complete the inspection requirement.

City's Response:

The City will follow up with required parties to complete the inspection requirement as noted in the grant provisions.

Finding 99-5; General Administration (repeat of 98-1)

Criteria:

The Federal Register § 300 states that it is the auditees responsibility to prepare the Schedule of Expenditures of Federal Awards (Schedule) and the Schedule should be a complete listing of federal awards, including the related expenditures for the year and the CFDA number.

Condition:

The City has no monitoring system to ensure that all Federal Awards are properly identified and reported upon in the Schedule.

Questioned Costs:

unknown

Effect:

The lack of an identification and monitoring system may result in incomplete financial information being reported on the Schedule, thus resulting in the potential for fines and or loss of future funding.

Cause:

The City does not identify each federal grant separately in the general ledger, and does not investigate new grants programs to determine if the funds are federal or not.

Recommendation:

We recommend the City continue to implement and enhance its procedures to ensure a complete and accurate Schedule is prepared annually.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MARCH 27, 2001**