



Dave Yost • Auditor of State



**CITY OF LIMA  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lima, Allen County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lima, Allen County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Weed/Property Cleanup funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2X to the financial statements, during the year ended December 31, 2013, the City adopted the provisions of *Governmental Accounting Standards No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,"* GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* and GASB Statement No. 66, *"Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62"*. Also the City restated the opening net position of the Business Type Activities and the Water Fund. We did not modify our opinion regarding these matters.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Awards Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 18, 2014

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**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)**

The discussion and analysis of the City of Lima's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2013 are as follows:

- General Revenues accounted for \$19.9 million in revenue or 31 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$44.5 million or 69 percent of total revenues of \$64.4 million.
- Total program expenses were \$63.6 million: \$36.0 million in governmental activities and \$27.6 million in business-type activities.
- In total, the City's net position increased \$850,981. Net position of the governmental activities decreased \$417,069, which represents a 0.1 percent decrease from 2012. Net position of business-type activities increased \$1,268,050 or 2.5 percent over 2012.
- Outstanding debt decreased \$568,404 from \$93,237,226 to 92,668,822. In February 2013, the City's Sewer Utility entered into a loan agreement the Ohio Water Development Authority to finance the removal and replacement of the Baxter Street interceptor. As of the end of 2013, the City had drawn \$2.28 million of the \$3.27 million (maximum) amount available. Despite the new obligation, the City has prudently managed the repayment of existing debt obligations, contributing to the overall decrease in the City's debt.

***Using this Annual Financial Report***

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2013 and how they affected the operations of the City as a whole.

***Reporting the City of Lima as a Whole***

***Statement of Net Position and the Statement of Activities***

Our analysis of the City as a whole begins on page 1. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The *Statement of Net Position* and the *Statement of Activities* report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements provide a long-term view of the City's finances.

**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)**

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

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

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

***Reporting the City of Lima's Most Significant Funds***

*Fund Financial Statements*

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

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

**Governmental Funds** - Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs and services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation following the fund financial statements.

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

CITY OF LIMA  
ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the General Fund and Weed/Property Cleanup Fund to demonstrate compliance with this budget.

Our analysis of the City's major governmental funds begins on page 11. The governmental fund financial statements begin on page 1J.

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

The proprietary fund financial statements begin on page 26.

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

The fiduciary fund financial statements begin on page 31.

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**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)**

***The City of Lima as a Whole***

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

Table 1 provides a summary of the City's net position for 2013 compared to 2012:

**(Table 1)  
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
<b>Assets</b>						
Current and Other Assets	\$ 32,364,091	\$ 32,695,242	\$ 23,329,774	\$ 22,976,070	\$ 55,693,865	\$ 55,671,312
Capital Assets, Net	58,061,919	57,827,785	122,763,573	121,493,540	180,825,492	179,321,325
Total Assets	<u>90,426,010</u>	<u>90,523,027</u>	<u>146,093,347</u>	<u>144,469,610</u>	<u>236,519,357</u>	<u>234,992,637</u>
<b>Deferred Outflows of Resources</b>						
Deferred Charges on Debt Refundings	0	0	319,395	324,692	319,395	324,692
Deferred Outflows of Resources	0	0	319,395	324,692	319,395	324,692
<b>Liabilities</b>						
Current and Other Liabilities	2,487,754	3,098,407	3,567,402	3,382,267	6,055,156	6,480,674
Long-Term Liabilities						
Due Within One Year	685,813	650,769	3,312,424	3,574,777	3,998,237	4,225,546
Due in More than One Year	5,079,542	5,605,766	87,030,432	86,602,824	92,109,974	92,208,590
Total Liabilities	<u>8,253,109</u>	<u>9,354,942</u>	<u>93,910,258</u>	<u>93,559,868</u>	<u>102,163,367</u>	<u>102,914,810</u>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenues	9,767,938	8,346,053	0	0	9,767,938	8,346,053
Total Deferred Inflows of Resources	<u>9,767,938</u>	<u>8,346,053</u>	<u>0</u>	<u>0</u>	<u>9,767,938</u>	<u>8,346,053</u>
<b>Net Position</b>						
Net Investment in Capital Assets	54,734,230	53,973,918	33,741,830	35,854,478	88,476,060	89,828,396
Restricted	5,220,278	6,562,424	0	0	5,220,278	6,562,424
Unrestricted	12,450,455	12,285,690	18,760,654	15,379,956	31,211,109	27,665,646
Total Net Position	<u>\$ 72,404,963</u>	<u>\$ 72,822,032</u>	<u>\$ 52,502,484</u>	<u>\$ 51,234,434</u>	<u>\$ 124,907,447</u>	<u>\$ 124,056,466</u>

As the City implements GASB Statement No. 65 there is a noticeable change in the presentation of the Statement of Net Position. Deferred Outflows of Resources, which includes deferred charges from debt refunding, is now presented as an asset; in prior years, these items were accounted for as an offset to the debt liability. Deferred Inflows of Resources provide the discrete presentation of revenues that are not available to the City; in prior years, these items were presented as deferred revenues. For a more accurate comparison, we have reclassified certain items in 2012.

The City's *combined* net position changed from a year ago, *increasing* \$0.9 million or 1 percent.

Net position in the City's governmental activities decreased less than 1 percent or approximately \$0.42 million (\$72.4 million compared to \$72.8 million in 2012). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased \$0.16 million over 2012. Restricted net position, those restricted mainly for debt repayment, capital projects and special purposes such as street repairs, state highway projects, and community housing programs decreased \$1.3 million. The net investment in capital assets category increased \$0.76 million from 2012.

**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)**

Overall, governmental assets, liabilities and deferred inflows of resources remained consistent with prior year. Intergovernmental receivables showed a \$1.1 million decrease due to timing of revenues in CDBG program and State Issue II funding. Special assessments receivables increased \$1.5 million from 2012. As the City took advantage of increased resources for property maintenance and demolition activity in prior years, the City is now entitled to the assessments made to the property owners.

Net position in the City's business-type activities increased by \$1.3 million (\$52.5 million compared to \$51.2 million in 2012). The City generally can only use unrestricted net position to finance the continuing operations of the water, sewer, refuse and storm water operations and other business-type activities of the City. Net investment in capital assets decreased \$2.1 million due to acquisitions exceeding depreciation expense coupled with a new \$2.2 million OWDA loan obligation occurring in 2013.

Overall, business-type assets, liabilities and deferred inflows/outflows of resources remained consistent with prior year with 0.8 percent change from prior year.

Table 2 shows the changes in net position for fiscal year 2013 and 2012. This will enable the reader to draw further conclusion about the City's financial status and possibly project future issues.

**(Table 2)  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 9,904,799	\$ 9,730,747	\$ 28,592,343	\$ 27,773,900	\$ 38,497,142	\$ 37,504,647
Operating Grants and Contributions	3,803,233	4,332,290	90,230	0	3,893,463	4,332,290
Capital Grants	2,119,514	3,225,836	35,371	47,708	2,154,885	3,273,544
Total Program Revenues	15,827,546	17,288,873	28,717,944	27,821,608	44,545,490	45,110,481
<i>General Revenues:</i>						
Property Taxes	1,192,163	1,148,105	0	0	1,192,163	1,148,105
Income Taxes	15,915,796	15,770,639	0	0	15,915,796	15,770,639
Other Local Taxes	198,947	181,827	0	0	198,947	181,827
Intergovernmental	1,969,254	1,687,911	0	0	1,969,254	1,687,911
Investment Earnings	(55,596)	143,015	(5,634)	33,293	(61,230)	176,308
Rebate on RZ and BAB Bonds	19,897	23,798	197,289	214,741	217,186	238,539
Gain (Loss) on Sale of Capital Assets	39,418	727,446	(147,348)	148,737	(107,930)	876,183
Contributed Capital	0	(1,893,336)	0	1,893,336	0	0
Miscellaneous	475,123	630,036	77,146	0	552,269	630,036
Total General Revenues	19,755,002	18,419,441	121,453	2,290,107	19,876,455	20,709,548
Total Revenues	35,582,548	35,708,314	28,839,397	30,111,715	64,421,945	65,820,029
<i>Program Expenses</i>						
General Government	8,495,961	8,175,052	0	0	8,495,961	8,175,052
Security of Persons and Property	16,700,344	15,639,553	0	0	16,700,344	15,639,553
Transportation	5,869,074	5,821,889	0	0	5,869,074	5,821,889
Community Environment	3,597,825	3,482,018	0	0	3,597,825	3,482,018
Leisure Time	1,207,812	1,054,416	0	0	1,207,812	1,054,416
Interest and Fiscal Charges	128,601	134,208	0	0	128,601	134,208
Water	0	0	13,435,633	21,164,173	13,435,633	21,164,173
Sewer	0	0	9,897,324	9,097,973	9,897,324	9,097,973
Refuse	0	0	2,743,991	2,775,197	2,743,991	2,775,197
Storm Water	0	0	1,494,399	1,373,998	1,494,399	1,373,998
	35,999,617	34,307,136	27,571,347	34,411,341	63,570,964	68,718,477
<i>Increase (Decrease) in Net Position Before Transfers</i>	(417,069)	1,401,178	1,268,050	(4,299,626)	850,981	(2,898,448)
Net Transfers	0	19,553	0	(19,553)	0	0
<i>Change in Net Position</i>	\$ (417,069)	\$ 1,420,731	\$ 1,268,050	\$ (4,319,179)	\$ 850,981	\$ (2,898,448)

**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)**

**Governmental Activities**

Overall, governmental activities had a slight decrease in net position of \$0.4 million.

The funding for City's governmental activities comes from several different sources. Revenues provided by specific programs including charges for services amount to 27.8 percent of all governmental revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 16.7 percent. General revenues account for the remaining 55.5 percent.

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

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

Total governmental revenues decreased \$0.1 million from the prior year mainly due to the expiration of certain operating and capital grants.

Total governmental expenses increased \$1.7 million from 2012. Police and Fire Departments represent the largest expense of the governmental activities. This expense of \$16,700,344 represents 46.4 percent of the total governmental services expenses. These two departments operate out of the General Fund.

General government expenses equaled \$8,495,961 or 23.6 percent of the total government services expenses. This category includes expenses associated with those City departments not associated with the other cost centers.

The City's Transportation Department provides the City and its citizens many services including public road salting, leaf and debris pickup, paint striping and alley profiling. This department operates out of both the General Fund and the Street Repair Special Revenue fund. This department had expenses of \$5,869,074 or 16.3 percent of the total governmental services expenses.

The City's Community Development Department accounts for the Community Environment expenses. This department provides services such as code enforcement, home repair assistance, some economic development work and other community environment related services. Community Environment expenses equaled \$3,597,825. This is 10.0 percent of total governmental services expenses.

The City also maintains 12 parks (leisure time activities) within the City. Leisure time activities also accounts for the City-sponsored recreational activities. This area had expenses of \$1,207,812 in 2013 or 3.4 percent of total governmental services expenses.

**Business-Type Activities**

Business-type activities include water, sewer, refuse and storm water operations. The revenues are generated primarily from charges for services. In 2013, charges for services of \$28,632,573 accounted for 99.3 percent of the all business-type revenues. The total expenses for the utilities were \$27,571,347, leaving an increase in net position of \$1,268,050 for the business-type activities.

**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)**

**The City's Funds**

**Governmental Funds**

Information about the City's governmental funds begins on page 1J. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues, excluding other financing sources, of \$35,350,853, a decrease of \$1,524,421 or 4.1 percent from 2012. All governmental funds also had expenditures, excluding other financing uses, of \$36,523,024, an increase of \$27,450 or 0.1 percent over 2012. The City's governmental funds reported combined ending fund balances of \$15.2 million; \$7.4 million of this total constitutes unassigned fund balance, which is available for appropriation at the City's discretion within certain legal constraints and purpose restrictions. The remainder of the fund balance is restricted, committed or assigned to indicate that it is not available for new spending. The funds are monitored continually, with adjustments made in budgets throughout the year to accommodate yearly revenues.

The General Fund's fund balance increased \$225,549 from 2012. Total revenues increased \$426,597; however the capital outlay expenditures increased \$986,938. During 2013, the City purchased police and fire equipment and vehicles as well as begin a significant Hall of Justice renovations project.

The fund balance of the Weed/Property Cleanup Fund increased \$54,481 from 2012. The revenues for this fund consist mainly of the charges assessed City residents for cleanup and demolition services. An increase of \$150,916 in revenues over 2012 with a \$26,751 decrease in expenditures contributed to the net change.

The total fund balance for all other governmental funds decreased of \$1,417,886 from 2012. This decrease is mainly due to the spending of revenues that had been received in prior years.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail. Information about the proprietary funds starts on page 2I .

The water fund had a decrease in net position of \$733,999 from 2012. Although total water fund expenses were \$4.2 million less than in 2012, current year revenues were slightly less than sufficient to cover current year expenses. The significant decrease in total expenses is due to the completion of various projects.

The sewer fund showed an increase in net position of \$995,149 from 2012. Total expenses were \$1.4 million more than in 2012; current year revenues increased \$0.5 million from prior year. The increase in expenses is due to the completion of various projects.

The refuse fund showed a \$149,957 increase in net position over 2012. Consistent with prior years, the revenues are sufficient to cover expenses in the fund and there are no individually significant changes from 2012.

The storm water fund showed an \$891,897 increase in net position over 2012. Consistent with prior years, the revenues are sufficient to cover expenses in the fund. This fund received \$1.9 million in contributed capital in 2012 whereas none was received in 2013.

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

**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)**

**General Fund Budgeting Highlights**

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

During the course of 2013, the City amended its General Fund budget on several occasions. All recommendations for appropriation changes come to Council from the City Finance Director. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the General Fund, budget basis actual revenue was \$27.9 million, \$403,783 over the final budget estimates of \$27.5 million. Intergovernmental revenues were significantly over projections by \$797,488. The City benefited from higher-than-expected inheritance tax and local government funds. Property tax and fines and forfeitures revenues were also over projections by \$119,830 and \$266,085, respectively. Other sources including municipal income tax and charges for services were under the projected amount by \$531,282 and \$219,682, respectively. Also coming in under projections were fees, licenses and permits by \$61,861 and investment income by \$30,578.

Actual expenditures of \$28.1 million were \$2.3 million lower than the final appropriations of \$30.5 million. All of the City's departments came in under budget in 2013 due to uncertainties in the economy forcing the City to maintain a conservative spending approach. The slightly higher-than-estimated revenues and lower-than-estimated expenditures caused the General Fund balance to decrease by only \$52,343.

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

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2013, the City had \$180.8 million invested in land, buildings and improvements, furniture and equipment, capitalized interest, infrastructure and vehicles. A total of \$58.1 million of this was for governmental activities with the remaining \$122.7 million attributable to business-type activities. Table 3 shows fiscal year 2013 balances compared with 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Land	\$ 6,692,002	\$ 6,537,075	\$ 5,254,044	\$ 5,115,926	\$ 11,946,046	\$ 11,653,001
Construction in Progress	1,289,989	705,146	10,144,212	20,998,898	11,434,201	21,704,044
Buildings and Improvements	8,200,034	8,496,918	64,855,967	59,957,886	73,056,001	68,454,804
Furniture and Equipment	1,351,596	1,301,823	12,690,563	7,013,018	14,042,159	8,314,841
Vehicles	1,673,970	1,283,441	1,116,908	1,560,700	2,790,878	2,844,141
Capitalized Interest	0	0	2,330,536	2,470,793	2,330,536	2,470,793
Infrastructure	38,854,328	39,503,382	26,371,343	24,376,318	65,225,671	63,879,700
Totals	<u>\$ 58,061,919</u>	<u>\$ 57,827,785</u>	<u>\$ 122,763,573</u>	<u>\$ 121,493,539</u>	<u>\$ 180,825,492</u>	<u>\$ 179,321,324</u>

**CITY OF LIMA  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Unaudited)  
(Continued)**

Total capital assets increased by \$1.5 million in 2013 due to acquisitions exceeding depreciation expense. The City purchased equipment and vehicles for the fire, streets and utilities departments. The City completed construction the Bellefontaine-Market Street Corridor project, began a significant remodel project at the Hall of Justice, as well as continues various other road improvement projects. The City also completed the water treatment plant clarifier project and construction at the Bresler pump station as well as a critical equipment replacement and upgrade project at the wastewater treatment plant.

More detailed information about the City's capital assets is presented in Note 9 to the basic financial statements. 2012 capital asset information has been restated due to the correction of an error; see Note 2x for additional information.

**Debt Administration**

The total outstanding debt for the City as of December 31, 2013 was \$92,668,823. This balance reflects a decrease of 0.6 percent from the prior year balance, mainly due to principal repayment. See Note 14 for additional details. Table 4 summarizes outstanding debt.

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated	2013	Restated	2013	Restated
		2012		2012		2012
General Obligation Bonds	\$ 3,292,448	\$ 3,737,433	\$ 4,975,930	\$ 5,287,499	\$ 8,268,378	\$ 9,024,932
Revenue Bonds	0	0	25,123,309	26,425,445	25,123,309	26,425,445
Capital Leases	35,242	116,430	4,580	58,173	39,822	174,603
OWDA Loans	0	0	57,958,570	56,191,420	57,958,570	56,191,420
Bresler Reservoir Termination Agreement	0	0	1,278,744	1,420,826	1,278,744	1,420,826
<b>Total</b>	<b>\$ 3,327,690</b>	<b>\$ 3,853,863</b>	<b>\$ 89,341,133</b>	<b>\$ 89,383,363</b>	<b>\$ 92,668,823</b>	<b>\$ 93,237,226</b>

**Current Financial Issues**

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

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

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

**Contacting the City Auditor's Department**

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

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CITY OF LIMA  
ALLEN COUNTY

STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$16,663,212	\$11,433,843	\$28,097,055
Taxes Receivable	4,323,105		4,323,105
Accounts Receivable	583,886	7,961,780	8,545,666
Intergovernmental Receivable	1,582,739		1,582,739
Special Assessments Receivable	8,803,284		8,803,284
Accrued Interest Receivable	15,547		15,547
Materials and Supplies Inventory	50,099	119,815	169,914
Notes Receivable	489,779		489,779
Prepaid Items	71,993	134,440	206,433
Internal Balances	(249,474)	249,474	
<b>Restricted Assets:</b>			
Equity in Pooled Cash and Cash Equivalents		554,015	554,015
Cash and Cash Equivalents with Fiscal and Escrow Agents	29,921	2,876,407	2,906,328
<b>Capital Assets:</b>			
Nondepreciable Capital Assets	7,981,991	15,398,256	23,380,247
Depreciable Capital Assets, Net	50,079,928	107,365,317	157,445,245
Total Assets	<u>90,426,010</u>	<u>146,093,347</u>	<u>236,519,357</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charges on Debt Refundings		319,395	319,395
Total Deferred Outflows of Resources		<u>319,395</u>	<u>319,395</u>
<b>Liabilities:</b>			
Accounts Payable	753,818	742,560	1,496,378
Contracts Payable	287,755	324,679	612,434
Accrued Wages	547,212	167,205	714,417
Retainage Payable		200,175	200,175
Intergovernmental Payable	458,091	263,512	721,603
Accrued Interest Payable	5,236	1,169,696	1,174,932
Claims Payable	432,031		432,031
<b>Payable from Restricted Assets:</b>			
Refundable Deposits		554,014	554,014
Accrued Interest Payable	3,611	145,561	149,172
<b>Long-Term Liabilities:</b>			
Due Within One Year	685,813	3,312,424	3,998,237
Due In More Than One Year	5,079,542	87,030,432	92,109,974
Total Liabilities	<u>8,253,109</u>	<u>93,910,258</u>	<u>102,163,367</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue - Property Taxes	964,654		964,654
Unavailable Revenue - Special Assessments	8,803,284		8,803,284
Total Deferred Inflows of Resources	<u>9,767,938</u>		<u>9,767,938</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	54,734,230	33,741,830	88,476,060
<b>Restricted for:</b>			
Capital Projects	438,436		438,436
Debt Service	358,747		358,747
Other Purposes	4,423,095		4,423,095
Unrestricted	12,450,455	18,760,654	31,211,109
Total Net Position	<u>\$72,404,963</u>	<u>\$52,502,484</u>	<u>\$124,907,447</u>

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

**CITY OF LIMA  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services and Sales</b>	<b>Operating Grants, Contributions and Interest</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General Government	\$8,495,961	\$8,449,990	\$30	
Security of Persons and Property	16,700,344	547,876	872,078	
Transportation	5,869,074	406,601	1,430,384	\$2,116,440
Community Environment	3,597,825	449,415	1,498,469	\$3,074
Leisure Time Activities	1,207,812	50,917	2,272	
Interest and Fiscal Charges	128,601			
<b>Total Governmental Activities</b>	<b>35,999,617</b>	<b>9,904,799</b>	<b>3,803,233</b>	<b>2,119,514</b>
<b>Business-Type Activities:</b>				
Water	13,435,633	12,539,170	90,230	35,371
Sewer	9,897,324	10,790,172		
Refuse	2,743,991	2,891,801		
Storm Water	1,494,399	2,371,200		
<b>Total Business-Type Activities</b>	<b>27,571,347</b>	<b>28,592,343</b>	<b>90,230</b>	<b>35,371</b>
<b>Totals</b>	<b>\$63,570,964</b>	<b>\$38,497,142</b>	<b>\$3,893,463</b>	<b>\$2,154,885</b>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes

**Income Tax Levied for:**

General Purposes

Other Local Taxes

Intergovernmental Revenue, Unrestricted

Rebate on RZ and BAB Bonds

Gain (Loss) on Sale of Capital Asset

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year (Restated, see Note 2)

Net Position - End of Year

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

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$45,941)		(\$45,941)
(15,280,390)		(15,280,390)
(1,915,649)		(1,915,649)
(1,646,867)		(1,646,867)
(1,154,623)		(1,154,623)
(128,601)		(128,601)
<u>(20,172,071)</u>		<u>(20,172,071)</u>
	(\$770,862)	(770,862)
	892,848	892,848
	147,810	147,810
	876,801	876,801
	<u>1,146,597</u>	<u>1,146,597</u>
<u>(20,172,071)</u>	<u>1,146,597</u>	<u>(19,025,474)</u>
1,192,163		1,192,163
15,915,796		15,915,796
198,947		198,947
1,969,254		1,969,254
19,897	197,289	217,186
39,418	(147,348)	(107,930)
(55,596)	(5,634)	(61,230)
475,123	77,146	552,269
<u>19,755,002</u>	<u>121,453</u>	<u>19,876,455</u>
(417,069)	1,268,050	850,981
<u>72,822,032</u>	<u>51,234,434</u>	<u>124,056,466</u>
<u>\$72,404,963</u>	<u>\$52,502,484</u>	<u>\$124,907,447</u>

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**CITY OF LIMA  
ALLEN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Weed/Property Cleanup Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets and Deferred Outflows of Resources:</b>				
Equity in Pooled Cash and Cash Equivalents	\$9,113,119	\$15,880	\$5,363,655	\$14,492,654
<b>Receivables:</b>				
Taxes	4,290,829		32,276	4,323,105
Accounts	580,936			580,936
Intergovernmental	561,986		1,020,753	1,582,739
Special Assessments		5,795,932	3,007,352	8,803,284
Interfund			46,775	46,775
Accrued Interest	14,439		1,108	15,547
Materials and Supplies Inventory			9,362	9,362
Due From Other Funds			230,160	230,160
Notes Receivable			489,779	489,779
Prepaid Items	71,078		915	71,993
<b>Restricted Assets:</b>				
Cash and Cash Equivalents with Fiscal and Escrow Agents			29,921	29,921
Advances to Other Funds	6,104			6,104
<b>Total Assets and Deferred Outflows of Resources</b>	<u>14,638,491</u>	<u>5,811,812</u>	<u>10,232,056</u>	<u>30,682,359</u>
<b>Liabilities:</b>				
Accounts Payable	263,389	13,872	436,270	713,531
Contracts Payable	22,103		265,652	287,755
Interfund Payable			46,775	46,775
Accrued Wages	505,440		41,772	547,212
Compensated Absences Payable	18,451			18,451
Intergovernmental Payable	418,595		39,496	458,091
Due To Other Funds			230,160	230,160
Advances from Other Funds			6,104	6,104
<b>Total Liabilities</b>	<u>1,227,978</u>	<u>13,872</u>	<u>1,066,229</u>	<u>2,308,079</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue - Property Taxes	1,282,731			1,282,731
Unavailable Revenue - Income Taxes	1,948,693			1,948,693
Unavailable Revenue - Grants and Special Assessments	484,350	5,795,932	3,643,145	9,923,427
<b>Total Deferred Inflows of Resources</b>	<u>3,715,774</u>	<u>5,795,932</u>	<u>3,643,145</u>	<u>13,154,851</u>
<b>Fund Balances:</b>				
Non-spendable	335,178		10,277	345,455
Restricted			4,415,377	4,415,377
Committed		2,008	905,275	907,283
Assigned	1,776,476		419,483	2,195,959
Unassigned	7,583,085		(227,730)	7,355,355
<b>Total Fund Balances</b>	<u>9,694,739</u>	<u>2,008</u>	<u>5,522,682</u>	<u>15,219,429</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$14,638,491</u>	<u>\$5,811,812</u>	<u>\$10,232,056</u>	<u>\$30,682,359</u>

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

**CITY OF LIMA  
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013**

Total Governmental Funds Balances		\$15,219,429
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</p>		58,061,919
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:</p>		
Property Taxes	\$318,082	
Income Tax	1,948,693	
Intergovernmental	1,120,143	
Total	3,386,918	3,386,918
<p>An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.</p>		
Net Position	1,741,922	
Internal Balances	(249,474)	
Total	1,492,448	1,492,448
<p>Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:</p>		
General Obligation Bonds	(3,292,448)	
Compensated Absences	(2,309,214)	
Capital Leases Payable	(35,242)	
Judgments Payable	(110,000)	
Accrued Interest Payable	(8,847)	
Total	(5,755,751)	(5,755,751)
Net Position of Governmental Activities		\$72,404,963

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

**CITY OF LIMA  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Weed/Property Cleanup Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property Taxes	\$1,121,030			\$1,121,030
Municipal Income Taxes	15,876,556			15,876,556
Other Local Taxes			\$198,947	198,947
Intergovernmental	2,101,588		6,199,114	8,300,702
Charges for Services	6,219,051	\$323,568	227,575	6,770,194
Fees, Licenses and Permits	818,639			818,639
Fines and Forfeitures	1,337,569		599,361	1,936,930
Special Assessments			79,979	79,979
Investment Income	(67,048)		31,465	(35,583)
Miscellaneous	188,573		94,886	283,459
Total Revenues	<u>27,595,958</u>	<u>323,568</u>	<u>7,431,327</u>	<u>35,350,853</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	15,333,140		545,327	15,878,467
Leisure Time Activities	1,002,386		34,230	1,036,616
Community Environment	937,746	269,087	2,305,189	3,512,022
Transportation	845,913		2,166,160	3,012,073
General Government	7,577,647		633,326	8,210,973
Capital Outlay	1,103,970		3,197,749	4,301,719
<b>Debt Service:</b>				
Principal Retirement	440,500			440,500
Interest and Fiscal Charges	97,078		33,576	130,654
Total Expenditures	<u>27,338,380</u>	<u>269,087</u>	<u>8,915,557</u>	<u>36,523,024</u>
Excess Revenues Over (Under) Expenditures	<u>257,578</u>	<u>54,481</u>	<u>(1,484,230)</u>	<u>(1,172,171)</u>
<b>Other Financing Sources (Uses):</b>				
Rebates on RZ and BAB Bonds			19,897	19,897
Proceeds from Sale of Capital Assets	10,448		3,970	14,418
Operating Transfers - In			87,897	87,897
Operating Transfers - Out	(42,477)		(45,420)	(87,897)
Total Other Financing Sources (Uses)	<u>(32,029)</u>		<u>66,344</u>	<u>34,315</u>
Net Change in Fund Balances	225,549	54,481	(1,417,886)	(1,137,856)
Fund Balances - Beginning of Year	<u>9,469,190</u>	<u>(52,473)</u>	<u>6,940,568</u>	<u>16,357,285</u>
Fund Balances - End of Year	<u>\$9,694,739</u>	<u>\$2,008</u>	<u>\$5,522,682</u>	<u>\$15,219,429</u>

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

**CITY OF LIMA  
ALLEN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net Change in Fund Balances - Total Governmental Funds (\$1,137,856)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense. This is the amount by  
which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$3,865,752	
Depreciation	<u>(3,631,614)</u>	
Total		234,138

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds.

Property Taxes	71,133	
Income Tax	39,240	
Intergovernmental	<u>62,001</u>	
Total		172,374

Premiums on bond or note issuances are realized when received in the governmental  
funds, but reduce interest expense on the statement of activities 4,485

Repayment of bond principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net position. 440,500

Payment on a capital lease is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the  
statement of net position. 81,188

In the statement of activities, interest is accrued on outstanding bonds,  
whereas in governmental funds, an interest expenditure is reported when due. 874

Some expenses reported in the statement of activities, do not require the use  
of current financial resources and therefore are not reported as  
expenditures in governmental funds.

Compensated Absences (31,137)

The internal service funds used by management to charge the costs of insurance  
and gasoline to individual funds are not reported in the entity-wide  
statement of activities. Governmental fund expenditures and related  
internal service fund revenues are eliminated.

Change in Net Position	(216,589)	
Internal Balances	<u>34,954</u>	
Total		<u>(181,635)</u>

Change in Net Position of Governmental Activities (\$417,069)

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

**CITY OF LIMA  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$1,001,200	\$1,001,200	\$1,121,030	\$119,830
Municipal Income Tax	16,500,000	16,500,000	15,968,718	(531,282)
Intergovernmental	1,384,210	1,384,210	2,181,698	797,488
Charges for Services	6,448,459	6,448,459	6,228,777	(219,682)
Fees, Licenses and Permits	880,500	880,500	818,639	(61,861)
Fines and Forfeitures	1,050,000	1,050,000	1,316,085	266,085
Investment Income	150,000	150,000	119,422	(30,578)
Miscellaneous	127,500	127,500	191,283	63,783
Total Revenues	<u>27,541,869</u>	<u>27,541,869</u>	<u>27,945,652</u>	<u>403,783</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	15,585,397	15,980,591	15,774,397	206,194
Leisure Time Activities	1,037,600	1,049,747	1,013,281	36,466
Community Environment	967,380	1,011,132	919,503	91,629
Transportation	915,117	992,600	910,242	82,358
General Government	8,186,423	8,475,383	7,646,218	829,165
Capital Outlay	241,771	2,442,611	1,326,666	1,115,945
<b>Debt Service:</b>				
Principal Retirement	560,561	560,561	440,500	120,061
Interest and Fiscal Charges			97,078	(97,078)
Total Expenditures	<u>27,494,249</u>	<u>30,512,625</u>	<u>28,127,885</u>	<u>2,384,740</u>
Excess of Revenues Over (Under) Expenditures	<u>47,620</u>	<u>(2,970,756)</u>	<u>(182,233)</u>	<u>2,788,523</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Disposition of Capital Assets	10,000	10,000	10,448	448
Transfers Out		(111,671)	(42,477)	69,194
Advances In/(Out)		(108,374)	161,919	270,293
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>(210,045)</u>	<u>129,890</u>	<u>339,935</u>
Net Change in Fund Balance	57,620	(3,180,801)	(52,343)	3,128,458
Fund Balance - Beginning of Year	8,021,517	8,021,517	8,021,517	
Prior Year Encumbrances Appropriated	<u>466,222</u>	<u>466,222</u>	<u>466,222</u>	
Fund Balance - End of Year	<u>\$8,545,359</u>	<u>\$5,306,938</u>	<u>\$8,435,396</u>	<u>\$3,128,458</u>

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

**CITY OF LIMA  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP) AND ACTUAL  
WEED/PROPERTY CLEANUP FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Services	\$379,100	\$385,100	\$323,568	(\$61,532)
Total Revenues	<u>379,100</u>	<u>385,100</u>	<u>323,568</u>	<u>(61,532)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Community Environment	325,000	347,479	306,320	41,159
Total Expenditures	<u>325,000</u>	<u>347,479</u>	<u>306,320</u>	<u>41,159</u>
Excess of Revenues Over (Under) Expenditures	<u>54,100</u>	<u>37,621</u>	<u>17,248</u>	<u>(20,373)</u>
<b>Other Financing Sources (Uses):</b>				
Advances In/(Out)			(54,100)	(54,100)
Total Other Financing Sources (Uses)			<u>(54,100)</u>	<u>(54,100)</u>
Net Change in Fund Balance	54,100	37,621	(36,852)	(74,473)
Fund Balance - Beginning of Year	4,142	4,142	4,142	
Prior Year Encumbrances Appropriated	<u>12,479</u>	<u>12,479</u>	<u>12,479</u>	
Fund Balance - End of Year	<u><u>\$70,721</u></u>	<u><u>\$54,242</u></u>	<u><u>(\$20,231)</u></u>	<u><u>(\$74,473)</u></u>

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

CITY OF LIMA  
ALLEN COUNTY

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water	Total	
<b>Assets:</b>						
<b>Current Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$4,183,366	\$5,411,023	\$1,108,393	\$731,061	\$11,433,843	\$2,170,558
<b>Receivables:</b>						
Accounts	1,817,507	2,476,906	681,397	2,985,970	7,961,780	2,950
Materials and Supplies Inventory	78,828	40,987			119,815	40,737
Due From Other Funds		186,000			186,000	
Prepaid Items	68,999	61,647	3,794		134,440	
Total Current Assets	<u>6,148,700</u>	<u>8,176,563</u>	<u>1,793,584</u>	<u>3,717,031</u>	<u>19,835,878</u>	<u>2,214,245</u>
<b>Non-current Assets:</b>						
<b>Restricted Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	554,015				554,015	
Cash and Cash Equivalents with Fiscal and Escrow Agents	639,856	2,236,551			2,876,407	
<b>Capital Assets:</b>						
Non-depreciable Capital Assets	4,955,623	10,402,652		39,981	15,398,256	
Depreciable Capital Assets, Net	64,693,163	37,216,330		5,455,824	107,365,317	
Total Non-current Assets	<u>70,842,657</u>	<u>49,855,533</u>		<u>5,495,805</u>	<u>126,193,995</u>	
Total Assets	<u>76,991,357</u>	<u>58,032,096</u>	<u>1,793,584</u>	<u>9,212,836</u>	<u>146,029,873</u>	<u>2,214,245</u>
<b>Deferred Outflows of Resources:</b>						
Deferred Charges on Debt Refundings		319,395			319,395	
Total Deferred Outflows of Resources		<u>319,395</u>			<u>319,395</u>	
<b>Liabilities:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	348,922	160,078	217,914	15,646	742,560	40,292
Contracts Payable	124,369	200,310			324,679	
Accrued Wages	78,962	66,965	2,712	18,566	167,205	
Compensated Absences Payable	3,503	13,073			16,576	
Retainage Payable		200,175			200,175	
Intergovernmental Payable	189,824	56,294	2,326	15,068	263,512	
Accrued Interest Payable	1,088,183	76,991		4,522	1,169,696	
Claims Payable						432,031
Due To Other Funds				186,000	186,000	
Capital Leases Payable	2,290	2,290			4,580	
OWDA Loans Payable	1,093,339	389,517		12,633	1,495,489	
Bresler Reservoir Termination Agreement	142,082				142,082	
General Obligation Bonds Payable (Net, where applicable of unamortized premium/discount)		321,621			321,621	
Total Current Liabilities	<u>3,071,474</u>	<u>1,487,314</u>	<u>222,952</u>	<u>252,435</u>	<u>5,034,175</u>	<u>472,323</u>
<b>Current Liabilities Payable from Restricted Assets:</b>						
Revenue Bonds Payable	383,075	949,001			1,332,076	
Refundable Deposits	554,014				554,014	
Accrued Interest Payable	16,744	128,817			145,561	
Total Current Liabilities Payable from Restricted Assets	<u>953,833</u>	<u>1,077,818</u>			<u>2,031,651</u>	

CITY OF LIMA  
ALLEN COUNTY

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water	Total	
<b>Long-Term Liabilities:</b>						
Compensated Absences Payable (Net of Current Portion)	501,602	387,766	21,560	74,219	985,147	
OWDA Loans Payable (Net of Current Portion)	50,734,453	5,454,588		274,040	56,463,081	
Bresler Reservoir Termination Agreement	1,136,662				1,136,662	
General Obligation Bonds Payable (Net of Current Portion, and where applicable, of unamortized premium/discounts)		4,654,309			4,654,309	
Revenue Bonds Payable (Net of Current Portion)	5,377,984	18,413,249			23,791,233	
Total Long-Term Liabilities	<u>57,750,701</u>	<u>28,909,912</u>	<u>21,560</u>	<u>348,259</u>	<u>87,030,432</u>	
Total Liabilities	61,776,008	31,475,044	244,512	600,694	94,096,258	472,323
<b>Net Position:</b>						
Net Investment in Capital Assets	10,778,896	17,753,802		5,209,132	33,741,830	
Unrestricted	4,436,453	9,122,645	1,549,072	3,403,010	18,511,180	1,741,922
Total Net Position	<u>\$15,215,349</u>	<u>\$26,876,447</u>	<u>\$1,549,072</u>	<u>\$8,612,142</u>	<u>52,253,010</u>	<u>\$1,741,922</u>
Net position reported for business-type activities in the statement of net position are different because they include accumulated overpayments to the internal service funds:					249,474	
Net Position of Business-Type Activities					<u>\$52,502,484</u>	

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

CITY OF LIMA  
ALLEN COUNTY

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise Funds					Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water	Total	
<b>Operating Revenues:</b>						
Charges for Services	\$11,468,218	\$10,308,445	\$2,891,798	\$2,344,653	\$27,013,114	\$5,455,135
Other Operating Revenues	1,070,952	481,727	3	26,547	1,579,229	640,491
Total Operating Revenues	<u>12,539,170</u>	<u>10,790,172</u>	<u>2,891,801</u>	<u>2,371,200</u>	<u>28,592,343</u>	<u>6,095,626</u>
<b>Operating Expenses:</b>						
Salaries	2,630,778	2,130,820	88,654	570,278	5,420,530	
Fringe Benefits	1,122,246	964,914	35,892	297,072	2,420,124	
Claims Expense						4,883,934
Other Services and Charges	4,534,150	3,594,874	2,618,552	386,819	11,134,395	1,428,281
Depreciation	2,788,371	2,087,577		223,070	5,099,018	
Total Operating Expenses	<u>11,075,545</u>	<u>8,778,185</u>	<u>2,743,098</u>	<u>1,477,239</u>	<u>24,074,067</u>	<u>6,312,215</u>
Operating Income (Loss)	<u>1,463,625</u>	<u>2,011,987</u>	<u>148,703</u>	<u>893,961</u>	<u>4,518,276</u>	<u>(216,589)</u>
<b>Non-Operating Revenues (Expenses):</b>						
Gain (Loss) on Disposal of Capital Assets		(147,348)			(147,348)	
Intergovernmental Revenue	90,230				90,230	
Rebates on RZ and BAB Bonds		197,289			197,289	
Tap-in Fees	35,371				35,371	
Investment Income	(5,138)	(496)			(5,634)	
Miscellaneous	40,151	28,661	1,254	7,080	77,146	
Interest and Fiscal Charges	(2,358,238)	(1,094,944)		(9,144)	(3,462,326)	
Total Non-Operating Revenues (Expenses)	<u>(2,197,624)</u>	<u>(1,016,838)</u>	<u>1,254</u>	<u>(2,064)</u>	<u>(3,215,272)</u>	
Change in Net Position	(733,999)	995,149	149,957	891,897	1,303,004	(216,589)
Net Position - Beginning of Year (Restated, see Note 2)	<u>15,949,348</u>	<u>25,881,298</u>	<u>1,399,115</u>	<u>7,720,245</u>		<u>1,958,511</u>
Net Position - End of Year	<u><u>\$15,215,349</u></u>	<u><u>\$26,876,447</u></u>	<u><u>\$1,549,072</u></u>	<u><u>\$8,612,142</u></u>		<u><u>\$1,741,922</u></u>
Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of the internal service funds is reported with business-type activities.					(34,954)	
Change in Net Position of Business-Type Activities					<u><u>\$1,268,050</u></u>	

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

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**CITY OF LIMA  
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Enterprise Funds</b>					<b>Governmental Activities Internal Service Funds</b>
	<b>Water</b>	<b>Sewer</b>	<b>Refuse</b>	<b>Storm Water</b>	<b>Total</b>	
<b>Cash Flows from Operating Activities:</b>						
Cash Received from Customers	\$11,418,528	\$10,183,007	\$2,919,695	\$2,127,056	\$26,648,286	\$5,453,105
Other Cash Receipts	1,070,952	481,727		26,547	1,579,226	640,491
Cash Payments to Employees for Services	(2,665,420)	(2,138,099)	(88,340)	(565,881)	(5,457,740)	
Cash Payments for Employee Benefits	(1,046,489)	(857,512)	(33,382)	(261,072)	(2,198,455)	
Cash Payments for Other Services and Charges	(4,486,296)	(3,441,231)	(2,602,324)	(499,679)	(11,029,530)	(1,507,546)
Cash Payments for Claims						(4,736,004)
Net Cash Provided by (Used in) Operating Activities	<u>4,291,275</u>	<u>4,227,892</u>	<u>195,649</u>	<u>826,971</u>	<u>9,541,787</u>	<u>(149,954)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Cash Received from BWC Reimbursement	40,151	28,661	1,254	7,080	77,146	
Cash Received from Grants	90,230				90,230	
Due (To) From Other Funds		131,000		(131,000)		
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>130,381</u>	<u>159,661</u>	<u>1,254</u>	<u>(123,920)</u>	<u>167,376</u>	
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Cash Received from Tap-in Fees	35,371				35,371	
Proceeds from OWDA Loan	751,198	2,282,364			3,033,562	
Rebate on Build America Bonds		304,866			304,866	
Principal Paid on OWDA Debt	(878,592)	(375,311)		(12,509)	(1,266,412)	
Principal Paid on General Obligation Bonds		(310,000)			(310,000)	
Principal Paid on Revenue Bonds	(375,000)	(925,000)			(1,300,000)	
Principal Paid on Bresler Reservoir Termination Agreement	(142,082)				(142,082)	
Principal Paid on Capital Lease	(26,796)	(26,796)			(53,592)	
Interest Paid on Debt Obligation	(2,026,961)	(1,240,529)		(9,342)	(3,276,832)	
Payments for Capital Acquisitions	(1,622,021)	(4,353,385)		(644,693)	(6,620,099)	
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(4,284,883)</u>	<u>(4,643,791)</u>		<u>(666,544)</u>	<u>(9,595,218)</u>	
<b>Cash Flows from Investing Activities:</b>						
Interest from Investments	(5,138)	(496)			(5,634)	
Net Cash Provided by (Used In) Investing Activities	<u>(5,138)</u>	<u>(496)</u>			<u>(5,634)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	131,635	(256,734)	196,903	36,507	108,311	(149,954)
Cash and Cash Equivalents Beginning of Year	5,245,602	7,904,308	911,490	694,554	14,755,954	2,320,512
Cash and Cash Equivalents End of Year	<u>5,377,237</u>	<u>7,647,574</u>	<u>1,108,393</u>	<u>731,061</u>	<u>14,864,265</u>	<u>2,170,558</u>

(continued)

CITY OF LIMA  
ALLEN COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water	Sewer	Refuse	Storm Water		
<b>Reconciliation of Operating Gain to Net Cash Provided by Operating Activities:</b>						
Operating Gain (Loss)	1,463,625	2,011,987	148,703	893,961	4,518,276	(216,589)
<b>Adjustments:</b>						
Depreciation	2,788,371	2,087,577		223,070	5,099,018	
<b>(Increase) Decrease in Assets:</b>						
Accounts Receivable	(46,277)	(140,286)	27,894	(217,597)	(376,266)	(2,030)
Materials and Supplies Inventory	(7,924)	7,424			(500)	(18,990)
Prepaid Items	(5,398)	(5,694)	(65)		(11,157)	
<b>Increase (Decrease) in Liabilities:</b>						
Accounts Payable	38,001	(4,817)	16,293	6,754	56,231	(60,275)
Contracts Payable	(3,469)	171,578		(119,614)	48,495	
Accrued Wages	(34,642)	(7,279)	314	4,397	(37,210)	
Compensated Absences Payable	68,043	102,366	2,420	34,656	207,485	
Intergovernmental Payable	7,714	5,036	90	1,344	14,184	
Refundable Deposits	23,231				23,231	
Claims Payable						147,930
Net Cash Provided by (Used In) Operating Activities	<u>\$4,291,275</u>	<u>\$4,227,892</u>	<u>\$195,649</u>	<u>\$826,971</u>	<u>\$9,541,787</u>	<u>(\$149,954)</u>

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

**CITY OF LIMA  
ALLEN COUNTY**

**COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2013**

**Assets:**

Equity Pooled in Cash and Cash Equivalents	\$262,032
Cash and Cash Equivalents in Segregated Accounts	655,396
Accounts Receivable	1,506,052
Total Assets	<u>2,423,480</u>

**Liabilities:**

Intergovernmental Payable	16,706
Undistributed Monies	2,161,448
Deposits Held and Due to Others	245,326
Total Liabilities	<u><u>\$2,423,480</u></u>

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

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**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. REPORTING ENTITY**

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**1. Government-wide Financial Statements**

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

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

**2. Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

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

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**Weed/Property Cleanup Fund** – The Weed/Property Cleanup Fund accounts for the assessments charged for property demolition and cleanup services provided to City residents.

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

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

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

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

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

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

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

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

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

**C. Measurement Focus**

**1. Government-wide Financial Statements**

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**2. Fund Financial Statements**

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

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

**D. Basis of Accounting**

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

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

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

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

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

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

**E. Pooled Cash and Cash Equivalents**

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

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

Investments are reported at fair value which is based on quoted market prices. During 2013, the City invested in US Government securities, including Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and STAROhio.

STAROhio 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. STAROhio 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 STAROhio are valued at STAROhio's shared price, which is the price the investment could be sold for at December 31, 2013.

The City records all investment income in the General Fund except for interest earned on monies held by trustee in accordance with the bond covenants, state statutes and grant requirements. Investment income credited to the General Fund during 2013 amounted to (\$67,408) which includes (\$45,915) assigned from other City funds.

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Materials and Supplies Inventory**

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

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

**H. Notes Receivable**

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

**I. Deferred Outflows of Resources**

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

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

**J. Restricted Assets/Liabilities**

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

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.

**K. Capital Assets**

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

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

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

**1. 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. The City capitalized interest in the amount of \$32,665 during 2013 associated with the Ohio Water Development Authority (OWDA) loan used for the removal and replacement of sewer interceptor equipment.

**L. Interfund Balances**

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

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

**M. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as a termination benefit.

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

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

**N. Accrued Liabilities and Long-term Obligations**

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

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

**O. Deferred Inflow of Resources**

A deferred inflow of resources is an acquisition of assets by the City that is applicable to a future reporting period. On the Statement of Net Position, property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2013, are also recorded as deferred inflows of resources in governmental funds.

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**P. Fund Balance**

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

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

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

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

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

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

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

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

**Q. Net Position**

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

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

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

**R. Operating Revenues and Expenses**

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

**S. Contributions of Capital**

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

**T. Interfund Activity**

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

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

**V. Estimates**

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

**W. Budgetary Data**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the General Fund and the enterprise funds. The legal level of control is also set at the object level for several special revenue funds: the Street Repair fund, Recreational Activity fund and the CDBG fund. The level of control is at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

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

**X. Changes in Accounting Principles and Correction of an Error**

For the year ended December 31, 2013, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,*" GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities,*" and GASB Statement No. 66, "*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*"

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 also resulted in debt issuance costs being expensed rather than being deferred. This had the following effect on entity-wide net position as previously reported. Net position is also restated due to correction of an error. During prior year, additions were made to capital assets in the water fund for a completed pump station; however these were not removed from construction in process.

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Unrestricted Net Position, 12/31/2012	\$ 72,909,081	\$ 55,310,289	\$ 128,219,370
Unamortized Debt Issuance Costs	(87,049)	(656,246)	(743,295)
Correction of an Error	0	(3,419,609)	(3,419,609)
Restated Unrestricted Net Position, 1/1/2013	<u>\$ 72,822,032</u>	<u>\$ 51,234,434</u>	<u>\$ 124,056,466</u>

This implementation also had the following effect on enterprise fund net position as previously reported:

	Enterprise Funds	
	Water Fund	Sewer Fund
	<u>                    </u>	<u>                    </u>
Unrestricted Net Position, 12/31/2012	\$ 19,507,656	\$ 26,398,845
Unamortized Debt Issuance Costs	(138,699)	(517,547)
Correction of Error	(3,419,609)	0
Restated Unrestricted Net Position, 1/1/2013	<u>\$ 15,949,348</u>	<u>\$ 25,881,298</u>

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the City.

**3. BUDGETARY BASIS OF ACCOUNTING**

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and Weed/Property Cleanup Funds.

	<b>General Fund</b>	<b>Weed/Property Cleanup Fund</b>
GAAP Basis	\$ 225,549	\$ 54,481
Adjustments:		
Net adjustment for revenue accruals	349,694	0
Advances in	161,919	0
Net adjustment for expenditure accruals	(121,681)	(1,121)
Advances out	0	(54,100)
Encumbrances	(667,824)	(36,112)
Budget basis	\$ (52,343)	\$ (36,852)

**4. DEPOSITS AND INVESTMENTS**

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

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.

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

Interim monies may be invested in the following:

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

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

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.

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

**A. Deposits**

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

**B. Investments**

As of December 31, 2013, the City had the following investments and maturities:

Investment	Fair Value	Investment Maturity 2 to 5 Years	% Total Investments
Federal Home Loan Bank	\$ 2,973,840	\$ 2,973,840	28.7%
Federal National Mortgage Association	4,419,360	4,419,360	42.7%
Federal Home Loan Mortgage Corporation	2,960,100	2,960,100	28.6%
	<u>\$ 10,353,300</u>	<u>\$ 10,353,300</u>	<u>100.0%</u>

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

**Credit Risk** – As of December 31, 2013, Moody's rated the City's investments the Federal Home Loan Bank, the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation bonds AAA.

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

**Concentration of Credit Risk** – The City places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by the City at December 31, 2013.

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**5. INCOME TAX**

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

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real and public property, and tangible personal property located in the City. Real property tax revenues received in 2013 represent the collection of 2012 taxes. For 2013, real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. These taxes will be collected in and are intended to finance 2013 operations. Assessed values for real property taxes are established by the State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2009. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property were levied after October 1, 2012, on the assessed values as of December 31, 2011, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for all City operations for the year ended December 31, 2013 was \$3.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

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

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lima. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2013, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable remains deferred inflows of resources.

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**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**7. FUND BALANCES**

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

	General Fund	Weed/Property Cleanup Fund	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	\$ 257,996	\$ 0	\$ 0	\$ 257,996
Prepays	71,078	0	915	71,993
Inventory	0	0	9,362	9,362
Advances to Other Funds	6,104	0	0	6,104
<b>Total Nonspendable</b>	<b>335,178</b>	<b>0</b>	<b>10,277</b>	<b>345,455</b>
Restricted for:				
Street Repair and Improvements	0	0	1,206,759	1,206,759
Law Enforcement Activities	0	0	720,263	720,263
Law Enforcement Equipment	0	0	69,561	69,561
Parks Equipment	0	0	8,574	8,574
Fire Vehicles	0	0	4,835	4,835
Community Development	0	0	85,583	85,583
DARE Program	0	0	62,956	62,956
Federal HOME Program Activities	0	0	648,793	648,793
Various Lighting Improvements	0	0	31,190	31,190
Various Land Improvements	0	0	15,802	15,802
Various Building Improvements	0	0	14,804	14,804
Municipal Court Projects	0	0	670,400	670,400
Fire and EMS Projects	0	0	58,281	58,281
Transportation Capital Projects	0	0	141,908	141,908
Alcohol/Drug Treatment Education	0	0	624,668	624,668
Other Purposes	0	0	51,000	51,000
<b>Total Restricted</b>	<b>0</b>	<b>0</b>	<b>4,415,377</b>	<b>4,415,377</b>
Committed to:				
Sidewalk Projects	0	0	26,998	26,998
Recreation Activities and Improvement	0	0	66,940	66,940
Property Maintenance Services	0	2,008	0	2,008
Traffic and Parking Services	0	0	330,717	330,717
Travel and Tourism Support	0	0	480,620	480,620
<b>Total Committed</b>	<b>0</b>	<b>2,008</b>	<b>905,275</b>	<b>907,283</b>
Assigned for:				
Debt Services	0	0	358,746	358,746
G-TV 2 Operations	0	0	3,316	3,316
Vehicle and Asset Repairs	22,940	0	0	22,940
Parks Improvements	52,471	0	57,421	109,892
Encumbrances:				
General Government	146,908	0	0	146,908
Security of Persons and Property	189,943	0	0	189,943
Leisure Time Services	8,559	0	0	8,559
Transportation	81,552	0	0	81,552
Capital Outlay	208,104	0	0	208,104
Subsequent Year Appropriations	1,065,999	0	0	1,065,999
<b>Total Assigned</b>	<b>1,776,476</b>	<b>0</b>	<b>419,483</b>	<b>2,195,959</b>
<b>Unassigned (Deficit)</b>	<b>7,583,085</b>	<b>0</b>	<b>(227,730)</b>	<b>7,355,355</b>
<b>Total Fund Balance (Deficit)</b>	<b>\$ 9,694,739</b>	<b>\$ 2,008</b>	<b>\$ 5,522,682</b>	<b>\$ 15,219,429</b>

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**8. RECEIVABLES**

Receivables at December 31, 2013 consisted of taxes, utility accounts, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments, and notes. All receipts are considered to be fully collectible including utility services. A summary of taxes receivable follows:

	Amount
<b>Governmental Activities:</b>	
Real Estate Tax	\$ 1,282,731
Municipal Income Tax	3,008,098
Other Local Taxes	32,276
Total Taxes Receivable	\$ 4,323,105

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>Governmental Activities:</b>	
Homestead/Rollback	\$ 74,881
Local Government	487,105
Motor Vehicle License Tax	129,500
Gasoline Excise Tax	497,000
Permissive Tax	140,000
Byrne JAG 2001	2,872
2012-DJ-BX-0148 JAG grant	19,815
COPS 2011-UMWX0143	23,602
EMW-2012-FO-00411 Fire gear	10,784
Home Program Grant	5,341
Community Development Block Grants	138,921
ALL-Bellefontaine, PID 89397	35,074
ALL-Lima RR Grade, PID 80441	17,844
Total Intergovernmental Receivable	\$ 1,582,739

A summary of utility accounts receivable is as follows:

	Amount
<b>Business-type Activities</b>	
Water	\$ 1,817,507
Sewer	2,476,906
Refuse	681,397
Storm Water	2,985,970
Total Accounts Receivable	\$ 7,961,780

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 \$698,075 with uncollectible of \$208,296 at December 31, 2013. The notes are recorded net of an allowance for un-collectibles in the amount of \$489,779.

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**9. CAPITAL ASSETS**

A summary of changes in capital assets during 2013 follows:

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 6,537,075	\$ 154,927	\$ 0	\$ 6,692,002
Construction in Progress	705,146	2,393,132	(1,808,289)	1,289,989
<b>Total Capital Assets, not being depreciated</b>	<b>7,242,221</b>	<b>2,548,059</b>	<b>(1,808,289)</b>	<b>7,981,991</b>
<i>Capital Assets, being depreciated:</i>				
Buildings	13,843,200	39,649	0	13,882,849
Improvements	2,931,600	79,228	0	3,010,828
Machinery and Equipment	5,020,636	330,149	(267,511)	5,083,274
Furniture and Fixtures	74,500	0	0	74,500
Vehicles	6,352,417	877,572	(346,116)	6,883,873
Infrastructure				
Roads	36,565,009	702,826	0	37,267,835
Sidewalks	3,861,840	0	0	3,861,840
Bridges	18,358,218	27,874	0	18,386,092
Signals and Traffic Lights	6,275,241	1,682,307	0	7,957,548
Curbs	5,840,477	0	0	5,840,477
Rail Sidings	1,443,375	0	0	1,443,375
<b>Total Capital Assets, being depreciated</b>	<b>100,566,513</b>	<b>3,739,605</b>	<b>(613,627)</b>	<b>103,692,491</b>
<i>Less Accumulated Depreciation:</i>				
Buildings	(6,708,778)	(289,187)	0	(6,997,965)
Improvements	(1,569,104)	(126,574)	0	(1,695,678)
Machinery and Equipment	(3,746,928)	(276,071)	267,511	(3,755,488)
Furniture and Fixtures	(46,385)	(4,305)	0	(50,690)
Vehicles	(5,068,976)	(487,043)	346,116	(5,209,903)
Infrastructure				
Roads	(23,842,346)	(2,076,897)	0	(25,919,243)
Sidewalks	(480,241)	(96,546)	0	(576,787)
Bridges	(1,429,907)	(338,967)	0	(1,768,874)
Signals and Traffic Lights	(3,610,311)	(331,470)	0	(3,941,781)
Curbs	(3,111,114)	(146,012)	0	(3,257,126)
Rail Sidings	(366,859)	(72,169)	0	(439,028)
<b>Total Accumulated Depreciation</b>	<b>(49,980,949)</b>	<b>(4,245,241)</b>	<b>613,627</b>	<b>(53,612,563)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>50,585,564</b>	<b>(505,636)</b>	<b>0</b>	<b>50,079,928</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 57,827,785</b>	<b>\$ 2,042,423</b>	<b>\$ (1,808,289)</b>	<b>\$ 58,061,919</b>

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

	Restated Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013
<b>Business-Type Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 5,115,926	\$ 138,118	\$ 0	\$ 5,254,044
Construction in Progress	20,998,898	5,100,410	(15,955,096)	10,144,212
<b>Total Capital Assets, not being depreciated</b>	<b>26,114,824</b>	<b>5,238,528</b>	<b>(15,955,096)</b>	<b>15,398,256</b>
<i>Capital Assets, being depreciated:</i>				
Improvements	18,930,970	87,687	0	19,018,657
Buildings	67,506,305	7,297,148	0	74,803,453
Machinery and Equipment	23,942,807	7,158,602	(639,072)	30,462,337
Furniture and Fixtures	46,597	0	0	46,597
Vehicles	5,296,151	6,811	0	5,302,962
Capitalized Interest	5,783,463	32,665	0	5,816,128
Intangible Assets	317,988	0	0	317,988
Infrastructure:				
Storm Water Infrastructure	3,801,494	367,334	0	4,168,828
Sewer Lines	21,463,878	2,033,518	0	23,497,396
Water Lines	25,337,460	265,314	0	25,602,774
<b>Total Capital Assets, being depreciated</b>	<b>172,427,113</b>	<b>17,249,079</b>	<b>(639,072)</b>	<b>189,037,120</b>
<i>Less Accumulated Depreciation:</i>				
Improvements	(2,107,313)	(928,623)	0	(3,035,936)
Buildings	(24,372,076)	(1,558,131)	0	(25,930,207)
Machinery and Equipment	(16,948,570)	(1,315,824)	475,613	(17,788,781)
Furniture and Fixtures	(27,816)	(1,773)	0	(29,589)
Vehicles	(3,735,451)	(450,603)	0	(4,186,054)
Capitalized Interest	(3,312,670)	(172,922)	0	(3,485,592)
Intangible Assets	(317,989)	0	0	(317,989)
Infrastructure:				
Storm Water Infrastructure	(231,369)	(96,944)	0	(328,313)
Sewer Lines	(14,515,604)	(229,274)	0	(14,744,878)
Water Lines	(11,479,540)	(344,924)	0	(11,824,464)
<b>Total Accumulated Depreciation</b>	<b>(77,048,398)</b>	<b>(5,099,018)</b>	<b>475,613</b>	<b>(81,671,803)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>95,378,715</b>	<b>12,150,061</b>	<b>(163,459)</b>	<b>107,365,317</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 121,493,539</b>	<b>\$ 17,388,589</b>	<b>\$ (16,118,555)</b>	<b>\$ 122,763,573</b>

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

<i>Governmental Activities:</i>	
General Government	\$ 141,254
Security of Persons and Property	466,248
Leisure Time Activities	123,420
Community Environment	59,563
Transportation	3,454,756
	\$ 4,245,241
 <i>Business-Type Activities:</i>	
Water Fund	\$ 2,788,371
Sewer Fund	2,087,577
Storm Water Fund	223,070
	\$ 5,099,018

**10. RISK MANAGEMENT**

**A. Self-Insurance Program**

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

Claims payable is based on the requirements of the Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated claim adjustment expenses. Claims payable as of December 31, 2013, is estimated based on past experience in payment of claims at \$432,031.

	<b>Beginning of Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>End of Year Liability</b>
2012	\$ 442,951	\$ 4,493,246	\$ 4,652,096	\$ 284,101
2013	284,101	4,883,934	4,736,004	432,031

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Other Insurance Coverage**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 767 members as of December 31, 2013 and 2012, respectively.

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

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

The OPRM's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31, 2013 and 2012:

	<b>2013</b>	<b>2012</b>
Assets	\$ 13,774,304	\$ 13,100,381
Liabilities	(7,968,395)	(6,687,193)
Members' Equity	\$ 5,805,909	\$ 6,413,188

The complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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 2013 the City contracted with a third party for insurance as follows:

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

Stolly Insurance Agency, Inc.

		<u>Deductible</u>
Building and Contents	\$ 119,526,873	*
General Liability	\$ 8,000,000	*
Boiler and Machinery	\$ 30,000,000	\$1,000
Inland Marine	\$ 6,071,981	\$10,000
Law Enforcement Officer's	\$ 8,000,000	*
Professional Liability	\$ 8,000,000	*
Auto Liability	\$ 8,000,000	*
Commercial Blanket Bond	\$ 8,000,000	*
Employee Benefit Liability	\$ 8,000,000	*
Public Officials Liability	\$ 8,000,000	none

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

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

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

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

**11. COMPENSATED ABSENCES**

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

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

Unpaid compensated absences at year end are reported on the Statement of Net Position, Governmental Activities, in the amount of \$93,747 due within one year and \$2,233,918 due in more than one year. Unpaid compensated absences for Business-Type Activities as of year-end are reported on the Statement of Net Position as \$16,576 due within one year and \$985,147 due in more than one year.

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: (1) The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; (2) The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings; and (3) The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but not less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/caf.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800)222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2013 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 12.60%, respectively. Effective January 1, 2014, the member contributions rates for public safety and law enforcements members increase to 12.00% and 13.00%, respectively.

The 2013 employer contribution rate for state employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll. The City's contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$1,591,346, \$1,665,597, and \$1,203,860, respectively.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F for the years ending December 31, 2013, 2012 and 2011 were \$1,918,248, \$1,833,868, and \$1,365,884, respectively, equal to the required contributions for each year.

**13. POST-EMPLOYMENT BENEFITS**

**A. Public Employees Retirement System**

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% for calendar year 2013.

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**13. POST-EMPLOYMENT BENEFITS (Continued)**

The portion of employer contributions allocated to health care for members in the Combined Plan was 1% for calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for the years ended December 31, 2013, 2012, and 2011 \$122,411, \$475,861, and \$481,510, respectively.

**B. Ohio Police and Fire Pension Fund**

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

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustee's primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**13. POST-EMPLOYMENT BENEFITS (Continued)**

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

The City's contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 were \$1,918,248, \$1,833,868, and \$1,365,884, respectively, of which \$318,472, \$568,059 and \$422,581, respectively, was allocated to the healthcare plan.

**14. LONG-TERM OBLIGATIONS**

The changes in the City's long-term obligations during 2013 were as follows:

	Interest Rate %	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Due Within One Year
<b>Governmental Activities</b>						
<i>Unvoted General Obligation Bonds</i>						
2004 YMCA Parking Lot Project	2.00-4.50	\$ 30,000	\$ 0	\$ 15,000	\$ 15,000	\$ 15,000
Unamortized Premium		150	0	75	75	75
2010 Lighting Improvement GO RZ Bonds	5.22	920,000	0	90,000	830,000	95,000
2011 Various Purpose	3.5	864,000	0	95,500	768,500	99,000
2012 Various Purpose	1.00-3.00	1,890,000	0	240,000	1,650,000	235,000
Unamortized Premium		33,283	0	4,410	28,873	4,457
<i>Total Unvoted General Obligation Bonds</i>		<u>3,737,433</u>	<u>0</u>	<u>444,985</u>	<u>3,292,448</u>	<u>448,532</u>
<i>Other Long-Term Obligations</i>						
Compensated Absences		2,292,672	2,327,665	2,292,672	2,327,665	93,747
Capital Lease - Cisco Phone System	4.69	58,174	0	53,593	4,581	4,581
Capital Lease - Ambulance	4.75	54,623	0	26,679	27,944	27,944
Capital Lease - Copier	9.704	3,633	0	916	2,717	1,009
Judgment Payable		110,000	0	0	110,000	110,000
		<u>2,519,102</u>	<u>2,327,665</u>	<u>2,373,860</u>	<u>2,472,907</u>	<u>237,281</u>
Total Governmental Long Term Liabilities		<u>\$ 6,256,535</u>	<u>\$ 2,327,665</u>	<u>\$ 2,818,845</u>	<u>\$ 5,765,355</u>	<u>\$ 685,813</u>

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

	Interest Rate %	Restated Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013	Due Within One Year
<b>Business-Type Activities</b>						
<i>General Obligation Bonds</i>						
2004 Sewer	2.00-4.50	\$ 420,000	\$ 0	\$ 205,000	\$ 215,000	\$ 215,000
Unamortized Premium		2,174	0	1,061	1,113	1,113
2012 Sewer Refunding	1.00-3.00	3,065,000	0	50,000	3,015,000	50,000
Refunding Premium		50,326	0	821	49,505	821
2012 Sewer Improvement	1.00-3.50	1,760,000	0	55,000	1,705,000	55,000
Unamortized Discount		(10,001)	313	0	(9,688)	(313)
<i>Total General Obligation Bonds</i>		<u>5,287,499</u>	<u>313</u>	<u>311,882</u>	<u>4,975,930</u>	<u>321,621</u>
<i>Revenue Bonds</i>						
2009 Sewer Improvement Tax-Exempt	2.00-2.50	895,000	0	445,000	450,000	450,000
Unamortized Premium		13,564	0	6,744	6,820	6,820
2009 Sewer Improvement Taxable BAB		10,250,000	0	0	10,250,000	0
2010 Sewer Improvement Tax-Exempt		9,185,000	0	480,000	8,705,000	495,000
Unamortized Discount		(52,303)	2,733	0	(49,570)	(2,819)
2010 Water Improvement Tax-Exempt		6,165,000	0	375,000	5,790,000	385,000
Unamortized Discount		(30,816)	1,875	0	(28,941)	(1,925)
<i>Total Revenue Bonds</i>		<u>26,425,445</u>	<u>4,608</u>	<u>1,306,744</u>	<u>25,123,309</u>	<u>1,332,076</u>
<i>Other Long-Term Obligations</i>						
Bresler Termination Agreement	0	1,420,826	0	142,082	1,278,744	142,082
OWDA Loan - Reservoir	4.32	30,385,658	0	524,783	29,860,875	547,698
OWDA Loan - Carbon Filter Project	3.83	16,744,408	0	152,001	16,592,407	312,791
OWDA Loan - Wastewater Upgrades	3.75	3,937,052	0	375,311	3,561,741	389,517
OWDA Loan - Bresler Pump Station	3.49	1,711,478	421,857	131,362	2,001,973	135,987
OWDA Loan - Elevated Storage Tank	4.64	2,556,215	175,118	23,278	2,708,055	48,188
OWDA Loan - Softening Basin	3.17	557,427	154,223	47,168	664,482	48,675
OWDA Loan - Interceptor	3.09	0	2,282,364	0	2,282,364	0
OWDA Loan - Storm Water Project	3.25	250,858	0	10,449	240,409	10,449
OWDA Loan - Storm Water Project II	2.66	48,324	0	2,060	46,264	2,184
Capital Lease - Cisco Phone System						
Water Fund Portion	4.69	29,086	0	26,796	2,290	2,290
Sewer Fund Portion	4.69	29,087	0	26,797	2,290	2,290
Compensated Absences		794,237	1,001,724	794,238	1,001,723	16,576
		<u>58,464,656</u>	<u>4,035,286</u>	<u>2,256,325</u>	<u>60,243,617</u>	<u>1,658,727</u>
Total Business-Type Activities						
Long Term Liabilities		<u>\$ 90,177,600</u>	<u>\$ 4,040,207</u>	<u>\$ 3,874,951</u>	<u>\$ 90,342,856</u>	<u>\$ 3,312,424</u>

**A. General Obligation Bonds**

**2004 General Obligation Bonds**

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

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**2004 General Obligation Bonds**

In 2004, the City issued general obligation bonds in the amount of \$4.575 million for wastewater treatment lab and sewer screen projects. The bond issue consists of serial bonds which are not subject to early redemption. A portion of the original issue was refunded in 2012. The remaining bonds have final maturity in 2024.

**2010 General Obligation Recovery Zone Bonds**

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

**2011 General Obligation Bonds**

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

**2012 General Obligation Bonds**

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

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

**B. Special Assessment Bonds**

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received and the debt will be retired through the Special Assessment Bond Retirement Debt Service Fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments. The City also issues special assessments between funds. The assessments due in one year are included in Interfund Receivables/Payables, and the amounts due in excess of one year are included in Due to/from Other Funds. The Debt Service Fund made principal payments in the amount of \$208,420 towards these interfund assessments.

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**C. Judgment Payable**

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

**D. Revenue Bonds**

**2009 Sewer Improvement Bonds**

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

**2010 Improvement Bonds**

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

The revenue bonds pledge enterprise fund income derived from the acquired and constructed assets to pay debt service. The bond indenture has certain restrictive covenants which principally require that bond reserve accounts be maintained, and charges for services to customers 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. In conjunction with the issuance of the revenue refunding bonds, the City entered into a trust agreement with a commercial bank. This trust agreement, along with the bond indenture, requires that the City establish various accounts for the repayment of debt. The restricted assets in the water and sewer funds are held by the trustees in accordance with the trust agreement.

**E. Bresler Termination Agreement**

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

**F. Ohio Water Development Authority (OWDA) Loans**

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

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

In 2010 the City's water utility entered into a loan agreement with OWDA to fund construction of a carbon filter system at the water treatment plant. The City's water system revenue will be used for repayment of the loan.

In 2011 the City's water utility entered into a loan agreement with OWDA to fund construction on an elevated water storage tank. The maximum available under this agreement is \$2,895,556. As of December 31, 2013 the City had requested total draws of \$2,631,250, and capitalized interest of \$100,083. The City's water system revenue will be used for repayment of the loan.

In 2011 the City's water utility entered into a loan agreement with OWDA to fund an upgrade project on a pump station at the Bresler reservoir and other water treatment plant improvements. The maximum available under this agreement is \$2,535,492. As of December 31, 2013 the City had requested total draws of \$2,128,623, and capitalized interest of \$4,712. The City's water system revenue will be used for repayment of the loan.

In 2012 the City's water utility entered into a loan agreement with OWDA to fund softening basin improvements at the water treatment plant. The maximum available under this agreement is \$889,904. As of December 31, 2013 the City had requested total draws of \$711,630, and capitalized interest of \$19. The City's water system revenue will be used for repayment of the loan.

In 2013 the City's sewer utility entered into a loan agreement with OWDA to fund construction on an interceptor. The maximum available under this agreement is \$2,895,566. As of December 31, 2013 the City had requested total draws of \$2,261,107, and capitalized interest of \$21,257. The City's water system revenue will be used for repayment of the loan.

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

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

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

Year Ending December 31,	General Obligation Bonds		
	Principal	Interest	Total
2014	\$ 444,000	\$ 105,531	\$ 549,531
2015	452,500	91,756	544,256
2016	480,500	78,078	558,578
2017	389,500	65,963	455,463
2018	378,500	51,565	430,065
2019 - 2023	968,500	89,090	1,057,590
2024 - 2028	70,000	17,756	87,756
2029 - 2032	80,000	6,000	86,000
<b>Total</b>	<b>\$ 3,263,500</b>	<b>\$ 505,739</b>	<b>\$ 3,769,239</b>

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

	Bresler Termination Agreement		General Obligation (Gross)		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 142,082	\$ 0	\$ 320,000	\$ 122,499	\$ 1,495,832	\$ 2,304,325
2015	142,082	0	325,000	111,273	1,555,603	2,244,554
2016	142,082	0	335,000	104,803	1,617,782	2,182,376
2017	142,082	0	335,000	101,143	1,682,466	2,117,692
2018	142,082	0	350,000	91,038	1,749,757	2,050,401
2019 - 2023	568,334	0	1,830,000	334,058	8,788,543	9,173,316
2024 - 2028	0	0	675,000	162,522	8,070,949	7,455,202
2029 - 2033	0	0	395,000	103,175	9,227,391	5,641,249
2034 - 2038	0	0	370,000	32,725	11,296,332	3,528,571
2039 - 2043	0	0	0	0	10,191,551	990,054
<b>Total</b>	<b>\$ 1,278,744</b>	<b>\$ 0</b>	<b>\$ 4,935,000</b>	<b>\$ 1,163,236</b>	<b>\$ 55,676,206</b>	<b>\$ 37,687,740</b>

	Revenue Bonds (Gross)		Total	
	Principal	Interest	Principal	Interest
2014	\$ 1,330,000	\$ 1,134,372	\$ 3,287,914	\$ 3,561,196
2015	1,360,000	1,103,325	3,382,685	3,459,152
2016	1,410,000	1,062,849	3,504,864	3,350,028
2017	1,450,000	1,013,821	3,609,548	3,232,656
2018	1,510,000	960,480	3,751,839	3,101,919
2019 - 2023	7,220,000	3,900,823	18,406,877	13,408,197
2024 - 2028	8,860,000	2,026,640	17,605,949	9,644,364
2029 - 2033	2,055,000	114,037	11,677,391	5,858,461
2034 - 2038	0	0	11,666,332	3,561,296
2039 - 2043	0	0	10,191,551	990,054
<b>Total</b>	<b>\$ 25,195,000</b>	<b>\$ 11,316,347</b>	<b>\$ 87,084,950</b>	<b>\$ 50,167,323</b>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**15. CAPITAL LEASES – LESSEE DISCLOSURE**

The City entered into a capital lease in 2009 for a new VoIP phone system from Cisco. This lease meets the criteria of a capital lease pursuant to generally accepted accounting principles. Capital lease payments are reflected as debt service expenditures in the governmental fund statements and as a reduction of the liability in the entity wide statements and enterprise fund statements. A capital asset has been recorded in the amount of \$491,016 and allocated 50% to governmental activities, 25% to the water fund and 25% to the sewer fund. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the long term liabilities section of the entity wide statements and enterprise fund statements. Principal payments in 2013 totaled \$53,593 in governmental-type activities and \$53,593 in business-type activities. Capital lease payments in governmental funds are reflected as program expenditures.

The City entered into a capital lease in 2010 to purchase a new ambulance for the City's fire department. This lease meets the criteria of a capital lease pursuant to generally accepted accounting principles. A capital asset has been recorded in the government-type activities section in the amount of \$128,383. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the long term liabilities section of the entity-wide statements. Principal payments in 2013 totaled \$26,679.

The City entered into a capital lease in 2011 to purchase a new copier for the City's fire department. This lease meets the criteria of a capital lease pursuant to generally accepted accounting principles. A capital asset has been recorded in the government-type activities section in the amount of \$4,850. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the long term liabilities section of the entity wide statements. Principal payments in 2013 totaled \$916.

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

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2014	\$ 35,099	\$ 4,598
2015	1,228	0
2016	614	0
Total Minimum Lease Payments	36,941	4,598
Less: Amount Representing Interest	(1,699)	(18)
Present Value of Minimum Lease Payments	<u>\$ 35,242</u>	<u>\$ 4,580</u>

**16. INTERFUND TRANSACTIONS**

**A. Interfund Transactions**

Interfund transactions are used by the City to fund small special assessment projects. As of December 31, 2013, balance sheet receivable and payables that resulted from interfund transactions for governmental manuscript debt and the reimbursement of expenditures in enterprise funds were as follows:

**CITY OF LIMA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. INTERFUND TRANSACTIONS (Continued)**

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
<b>Governmental Funds</b>				
Other Governmental Funds				
Debt Service Fund	\$ 46,775	\$ 0	\$ 230,160	\$ 0
Special Assessments Fund		46,775	0	230,160
Total Governmental Funds	<u>46,775</u>	<u>46,775</u>	<u>230,160</u>	<u>230,160</u>
<b>Business-Type Funds</b>				
Storm Water Fund	0	0	186,000	0
Sewer Fund	0	0	0	186,000
Total Business-Type Funds	<u>0</u>	<u>0</u>	<u>186,000</u>	<u>186,000</u>
<b>Total All Funds</b>	<u>\$ 46,775</u>	<u>\$ 46,775</u>	<u>\$ 416,160</u>	<u>\$ 416,160</u>

**B. Reconciliation of Interfund Transfers**

	<u>Transfers-In</u>	<u>Transfers-Out</u>
<b>Governmental Funds</b>		
General Fund		\$ 42,477
Other Governmental Funds		
Capital Projects Funds	\$ 45,420	
Special Assessments Debt Service Fund	42,477	45,420
Total Governmental	<u>\$ 87,897</u>	<u>\$ 87,897</u>

Transfer was made from the General Fund to the Special Assessment Debt Service Fund for repayment of prior year manuscript debt.

**C. Advances To/From Other Funds Transactions**

As of December 31, 2013, advances to and from other fund transactions to eliminate negative cash positions were as follows:

	<u>Advances to Other Funds</u>	<u>Advances From Other Funds</u>
<b>Governmental Funds</b>		
General Fund	\$ 6,104	\$ 0
Other Governmental Funds		
Priority1 LFD Training Fund	0	1,810
ALL-Lima Bike PID92337	0	4,294
Total Other Governmental Funds	<u>0</u>	<u>6,104</u>
<b>Total All Funds</b>	<u>\$ 6,104</u>	<u>\$ 6,104</u>

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**17. DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources at December 31, 2013 consisted of the following:

	Statement of Net Position	Balance Sheet
Property Taxes	\$ 964,654	\$ 1,282,731
Income Taxes	0	1,948,693
Grants	0	1,120,143
Special Assessments	8,803,284	8,803,284
<b>Totals</b>	<b>\$ 9,767,938</b>	<b>\$ 13,154,851</b>

**18. COMMITMENTS**

**A. Contractual Commitments**

As of December 31, 2013, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Remaining Balance
Lift Station Improvements	\$ 440,437	\$ 259,881	\$ 180,556
Sewer System Improvements	3,046,841	195,229	2,851,612
Storm Water Improvements	266,092	27,804	238,288
Municipal Courts Remodel	339,375	100,031	239,344
Demolitions	347,550	171,170	176,380
Dispatch Software	236,001	171,137	64,864
	<b>\$ 4,676,296</b>	<b>\$ 925,252</b>	<b>\$ 3,751,044</b>

**B. Encumbrance Commitments**

As of December 31, 2013, the City has the following significant outstanding encumbrances:

Fund	Amount
General Fund	\$ 667,824
Nonmajor Governmental Funds	
Street Repair Fund	215,824
Ohio Forward Demo Program Fund	262,484
CHIP Housing Improvement	201,117
CDBG Block Grant	136,780
Courts Special Projects	243,144
	<b>\$ 1,727,173</b>

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**19. CONTINGENT LIABILITIES**

**A. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2013.

**B. Litigation**

As of December 31, 2013, the City was a party to various legal proceedings seeking damages or injunctive relief, arising in the course of ordinary business. The ultimate disposition of these proceedings is not presently determinable, but will not, in the opinion of the City Attorney, have a material adverse effect on the overall financial condition of the City.

In addition to the above, the City has been notified by the United States Environmental Protection Agency (USEPA) that it is required to eliminate wastewater contamination to the Ottawa River, Allen County, Ohio. As of the date of these financial statements, no judicial complaint has been filed. The City is presently engaged in ongoing discussions to determine an acceptable compliance strategy, including projected costs, on a going forward basis. The ultimate cost of the strategy could have a material effect on the City's financial statements.

**20. ACCOUNTABILITY AND COMPLIANCE**

Fund balances at December 31, 2013 included the following individual fund deficits:

	Deficit Fund Balance
Non-major Governmental Funds:	
JAG 2010-DJ-BX-0187	\$ 2
Ohio Forward Demo Program	181,637
Land Utilization Fund	57
Priority1 LFD Training Fund	1,810
Bikeway Expansion	39,930
ALL-LIMA BIKE PID 92337	4,294
	<u>\$ 227,730</u>

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**21. JOINT VENTURE**

**Lima-Allen County Downtown Construction**

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

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

The City of Lima has agreed to enter into a long-term lease agreement with the County offering the County a one-half ownership interest in the parking garage, which will be operated and maintained by the Lima-Allen County Joint Parking Commission, in accordance with the rules and regulations established for the JPC (Note 22). As of December 31, 2013 this lease has not been entered into.

**22. JOINTLY GOVERNED ORGANIZATIONS**

**A. Lima-Allen County Regional Planning Commission**

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

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

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

**B. Lima-Allen County Joint Parking Commission**

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

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

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**23. SUBSEQUENT EVENTS**

In March 2014, the City issued a \$9,047,730 various purpose bond anticipation note for the purchase of equipment and vehicles for the Fire Department, as well as renovation at the City's Hall of Justice, construction of the Westminster water line and the rehabilitation of City sewer lift stations, parking lots at the Utility Customer Services building and Cambridge Center, and to pay for the peak flow attenuation into a combined sewer system.

In May 2014, the City issued a one year bond anticipation note in the amount of \$114,700 to fund sidewalk construction projects.

In June 2014, Council authorized the issuance of special assessment bonds in the principal amount of \$36,150 to retire the bond anticipation note issued in 2013.

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**CITY OF LIMA  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor / Program Title	CFDA Number	Agency or Pass-Through Number	Federal Disbursements
<b>U. S. Department of Housing and Urban Development</b>			
Direct Programs:			
Community Development Block Grant - Entitlement	14.218	B11-MC-39-0014	\$728,122
Community Development Block Grant - Entitlement	14.218	B12-MC-39-0014	575,479
Total Community Development Block Grant - Entitlement			<u>1,303,601</u>
Home Investment Partnership Program	14.239	M11-MC-39-0219	211,218
Total U.S. Department of Housing and Urban Development			<u>1,514,819</u>
<b>U.S. Department of Justice</b>			
<i>Passed through Ohio Office of Criminal Justice Services</i>			
<i>JAG Program Cluster:</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0187	2,156
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-3248	6,804
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0148	7,541
Total Edward Byrne Memorial Justice Assistance Grant			<u>16,501</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2012-JG-LLE-5225	4,290
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	2009-SB-B9-0323	488
Total JAG Program Cluster			<u>21,279</u>
ARRA - Public Safety Partnership and Community Policing Grant	16.710	2009 RKWX0659	176,454
ARRA - Public Safety Partnership and Community Policing Grant	16.710	2011 UMWX0143	105,015
Total ARRA - Public Safety Partnership and Community Policing Grants			<u>281,469</u>
Total U.S. Department of Justice			<u>302,748</u>
<b>U.S. Department of Transportation</b>			
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction - Lima Railroad Grade Separation	20.205	PID-80441	299,823
Highway Planning and Construction - Lima Traffic Study	20.205	PID-82576	76,219
Highway Planning and Construction - Lima Traffic Study	20.205	PID-90948	64,008
Highway Planning and Construction - Lima Traffic Study	20.205	PID-90949	52,833
Highway Planning and Construction - Elm Street Reconstruction	20.205	PID-90185	228,805
Highway Planning and Construction - Bellefontaine/Market Corridor	20.205	PID-89397	1,052,523
Highway Planning and Construction - Lima Bike Path Phase 5	20.205	PID-92337	4,294
ARRA Highway Planning and Construction - Vine Street Railroad Grade Separation	20.205	PID-86297	1,040
Total U.S. Department of Transportation			<u>1,779,545</u>
<b>U.S. Department of Commerce - Economic Development Administration</b>			
Direct Programs:			
Economic Development - Technical Assistance	11.303	06-78-05329	315
Total U.S. Department of Commerce			<u>315</u>
<b>U.S. Department of Homeland Security</b>			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-08958	5,533
Assistance to Firefighters Grant	97.044	EMW-2011-FO-03805	16,350
Assistance to Firefighters Grant	97.044	EMW-2012-FO-00411	88,610
			<u>110,493</u>
<i>Passed through Ohio Department of Public Safety</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4077-DR-003-43554	148,348
Total U.S. Department of Homeland Security			<u>258,841</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$3,856,268</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF LIMA  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lima, Allen County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated September 18, 2014, wherein we noted the City adopted the provisions of *Governmental Accounting Standards No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,"* GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* and GASB Statement No. 66, *"Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62"*. Also the City restated the opening net position of the Business Type Activities and the Water Fund.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 18, 2014



# Dave Yost • Auditor of State

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

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

To the Members of Council:

### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Lima's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Lima's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Lima complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

**Report on Internal Control Over Compliance**

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 18, 2014

**CITY OF LIMA  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	HOME Investment Partnership Program CFDA#14.239 ARRA -Public Safety Partnership Community Policing Grants CFDA# 16.710 Highway Planning and Construction Grant CFDA# 20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

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

None

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# Dave Yost • Auditor of State

CITY OF LIMA

ALLEN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 7, 2014