



**City of Delphos
Allen County**

Basic Financial Statements
For The Year Ended December 31, 2008



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.



Mary Taylor, CPA
Auditor of State

Board of Trustees
City of Delphos
608 N. Canal Street
Delphos, Ohio 45833

We have reviewed the *Independent Auditor's Report* of the City of Delphos, Allen County, prepared by Rea & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 13, 2010

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Basic Financial Statements
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

June 25, 2010

To the Honorable Mayor and City Council
City of Delphos
Delphos, Ohio

INDEPENDENT AUDITOR'S REPORT

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 Delphos, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Delphos' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Delphos, Ohio, as of December 31, 2008, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund and income tax fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010 on our consideration of the City of Delphos' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

As management of the City of Delphos (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2008.

Financial Highlights

- The total net assets of the City decreased \$579,386. Net assets of governmental activities increased \$250,508, which represents a 5.7 percent increase over year 2007. Net assets of business-type activities decreased \$829,894, or 7.1 percent from year 2007.
- General revenues for governmental activities accounted for \$3,524,817, or 66.4 percent of total governmental activities revenue. Program specific revenues accounted for \$1,786,667, or 33.6 percent of total governmental activities revenue.
- Governmental activities net capital assets decreased \$57,730 primarily due to depreciation on equipment exceeding current year additions. These assets were completed during the year and transferred to the business-type activities capital assets and thereby increasing the business-type activities capital assets.
- The City had \$4,496,266 in expenses related to governmental activities; \$1,786,667 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$3,524,817 were sufficient to offset these program expenses, however, a transfer of \$267,735 was recorded to transfer finished construction projects to the business-type activities capital assets.
- The general fund, the City's largest major governmental fund, had revenues of \$3,109,139 in 2008, or 56.5 percent of total governmental funds. Expenditures and other financing uses of the general fund were \$3,228,717 or 62.5 percent of total governmental funds. The general fund balance decreased \$119,578 or 15.3 percent in 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health services, conservation and recreation, economic development and transportation. The business-type activities of the City include water distribution, sewage collection and treatment, and refuse collection.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, for the general fund and the income tax special revenue fund which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation.

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

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

Proprietary Funds

The City maintains two types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, sewage collection and treatment systems, and refuse collection.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of its funds.

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

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.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15.5 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (65.7 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, etc.) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

The following table provides a summary of the City's net assets for 2008 compared to 2007:

Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
Current assets	\$ 2,981,449	\$ 2,853,089	\$ 3,703,936	\$ 5,407,828	\$ 6,685,385	\$ 8,260,917
Noncurrent assets	2,674,181	2,731,911	59,096,925	60,853,424	61,771,106	63,585,335
Total assets	5,655,630	5,585,000	62,800,861	66,261,252	68,456,491	71,846,252
Current liabilities	652,282	921,213	180,278	262,695	832,560	1,183,908
Noncurrent liabilities	378,647	289,594	51,772,097	54,320,177	52,150,744	54,609,771
Total liabilities	1,030,929	1,210,807	51,952,375	54,582,872	52,983,304	55,793,679
Net Assets:						
Invested in capital assets, net of related debt	2,585,985	2,731,911	7,577,724	6,699,656	10,163,709	9,431,567
Restricted	1,137,938	650,475	0	0	1,137,938	650,475
Unrestricted	900,778	991,807	3,270,762	4,978,724	4,171,540	5,970,531
Total net assets	\$ 4,624,701	\$ 4,374,193	\$ 10,848,486	\$ 11,678,380	\$ 15,473,187	\$ 16,052,573

As displayed in the table above, total net assets of the City as a whole decreased \$579,386 from 2007 to 2008. This was due to a decrease in construction in progress, the capitalization of finished projects and related depreciation expense.

Total net assets of the City's governmental activities increased by \$250,508, and unrestricted net assets decreased \$91,029 from 2007 to 2008.

The net assets of the City's business-type activities decreased by \$829,894. One of the three enterprise funds reported an operating loss during 2008. Overall, operating expenses decreased from the prior year. Capital contributions for capital assets from governmental funds helped to reduce the negative impact on net assets. The City also had an increase in charges for services from 2007 to 2008. The City strives to control operation expenses for business-type activities in order to maintain stability in charges for services rates.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

The following table shows the changes in net assets for the year ended December 31, 2008, and revenue and expense comparison to 2007.

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	\$ 563,893	\$ 552,734	\$ 4,917,150	\$ 4,519,012	\$ 5,481,043	\$ 5,071,746
Operating grants	402,036	558,647	114,718	0	516,754	558,647
Capital grants	820,738	773,526	6,489	0	827,227	773,526
General revenues:						
Taxes	2,819,511	2,961,997	0	0	2,819,511	2,961,997
Intergovernmental	518,113	291,736	0	0	518,113	291,736
Investment earnings	163,030	244,426	12,347	10,840	175,377	255,266
Other	24,163	72,239	29,975	0	54,138	72,239
Total revenues	5,311,484	5,455,305	5,080,679	4,529,852	10,392,163	9,985,157
Expenses:						
General government	295,052	1,194,813	0	0	295,052	1,194,813
Security of Persons and Property	2,861,826	2,445,469	0	0	2,861,826	2,445,469
Public health & welfare	158,545	127,459	0	0	158,545	127,459
Transportation	524,828	598,228	0	0	524,828	598,228
Community environment	134,808	243,657	0	0	134,808	243,657
Basic utility services	0	5,784	0	0	0	5,784
Leisure time activities	521,207	594,001	0	0	521,207	594,001
Water	0	0	2,076,634	1,712,256	2,076,634	1,712,256
Sewer	0	0	4,094,122	5,761,927	4,094,122	5,761,927
Garbage	0	0	304,527	343,550	304,527	343,550
Total expenses	4,496,266	5,209,411	6,475,283	7,817,733	10,971,549	13,027,144
Increase in net assets						
before transfers	815,218	245,894	(1,394,604)	(3,287,881)	(579,386)	(3,041,987)
Transfers	(564,710)	(4,941,314)	564,710	4,941,314	0	0
Change in net assets	\$ 250,508	\$ (4,695,420)	\$ (829,894)	\$ 1,653,433	\$ (579,386)	\$ (3,041,987)

Governmental Activities

Governmental activities increased the City's net assets by \$250,508 or 5.7 percent. The primary reason for the increase is due to a decrease in accounts payable.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

Business-Type Activities

Business-type activities decreased the City's net assets by \$829,894. The key element of this decrease was a decrease in capital assets due to depreciation expense exceeding additions for the year.

Program Expenses

The statement of activities shows the cost of program services and the charges for services and grants associated with those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted grants.

	Program Expenses					
	2008	2008	2007	2007	Net Change	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Governmental Activities:						
General government	\$ 295,052	\$ (158,702)	\$ 1,194,813	\$ (721,444)	\$ (899,761)	\$ 562,742
Security of Persons and Property	2,861,826	(2,222,308)	2,445,469	(2,033,187)	416,357	(189,121)
Public health and welfare	158,545	(148,545)	127,459	(127,459)	31,086	(21,086)
Transportation	524,828	26,177	598,228	(18,381)	(73,400)	44,558
Community environment	134,808	60,104	243,657	(55,288)	(108,849)	115,392
Basic utility services	0	0	5,784	(5,784)	(5,784)	5,784
Leisure time activities	521,207	(266,325)	594,001	(362,961)	(72,794)	96,636
Total governmental activities	4,496,266	(2,709,599)	5,209,411	(3,324,504)	(713,145)	614,905
Business-Type Activities:						
Water	2,076,634	(253,013)	1,712,256	(151,801)	364,378	(101,212)
Sewer	4,094,122	(1,267,894)	5,761,927	(3,145,512)	(1,667,805)	1,877,618
Garbage	304,527	83,981	343,550	(1,408)	(39,023)	85,389
Total business-type activities	6,475,283	(1,436,926)	7,817,733	(3,298,721)	(1,342,450)	1,861,795
Grand total	\$ 10,971,549	\$ (4,146,525)	\$ 13,027,144	\$ (6,623,225)	\$ (2,055,595)	\$ 2,476,700

The City's reliance upon program revenues is demonstrated by the fact that 65.7 percent of total revenues are from charges for services and program grants. 27.1 percent of revenues are primarily generated locally through property taxes and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous councils have always been committed.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,572,171, a 27.9 percent increase from the prior year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 and 2007.

	Fund Balance		Increase (Decrease)
	12/31/2008	12/31/2007	
General	\$ 661,259	\$ 780,837	\$ (119,578)
Income tax	475,179	153,742	321,437
Other governmental	435,733	294,614	141,119
<i>Totals</i>	\$ 1,572,171	\$ 1,229,193	\$ 342,978

The general fund is the chief operating fund of the City. The income tax fund is a special revenue fund that collects municipal income taxes that are used to pay an OWDA loan for the City's sewer department. At the end of the current fiscal year, unreserved fund balances of the general and income tax funds were \$660,681 and \$475,179, respectively.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets in the water fund at the end of the year amounted to \$784,062. Total net assets decreased \$237,568 from the previous year.

Unrestricted net assets in the sewer fund at the end of the year amounted to \$2,332,500. Total net assets decreased \$667,740 or 11.6 percent from the previous year. This decrease is due to depreciation expense associated with the wastewater treatment plant and interest expense on associated debt.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

General Fund Budgetary Information

The City's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During 2008, revisions were made to the general fund budget. These revisions are reflected on the statement of revenues, expenditures and changes in fund balances for the general fund on page 18. Within each departmental function, a department head may make small line item adjustments within their budget, as long as the total operation and maintenance amount does not exceed their original budget allowance.

Original general fund budgeted revenues increased \$110,672 from \$3,110,000 to the final budgeted amount of \$3,220,672. Actual municipal income tax revenue was \$24,943 higher than final budgeted revenue for the year.

Original general fund expenditures were consistent with the final budgeted amount of \$2,922,461. Actual expenditures were \$3,050,627.

Capital Assets

At the end of year 2008, the City had \$61,771,106 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment, vehicles, construction in progress and infrastructure. Of this total, \$2,674,181 was reported in governmental activities and \$59,096,925 was reported in business-type activities. The table below reports year 2008 balances compared to 2007:

**Capital Assets at Fiscal Year End
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2008	2007	2008	2007	2008	2007
Land	\$ 476,660	\$ 476,660	\$ 889,207	\$ 889,207	\$ 1,365,867	\$ 1,365,867
Land improvements	399,350	296,769	4,237,203	4,331,286	4,636,553	4,628,055
Buildings	765,877	813,114	33,568,556	33,944,185	34,334,433	34,757,299
Equipment	284,258	308,348	11,185,085	12,590,761	11,469,343	12,899,109
Vehicles	700,569	699,420	234,063	287,650	934,632	987,070
Infrastructure	0	0	8,889,197	8,810,335	8,889,197	8,810,335
Construction in progress	47,467	137,600	93,614	0	141,081	137,600
Total	\$2,674,181	\$2,731,911	\$59,096,925	\$60,853,424	\$61,771,106	\$63,585,335

The decrease in capital assets in both governmental and business-type activities is due to the fact that depreciation expense for the year exceeded capital asset additions for the year.

City of Delphos, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2008

Debt

At December 31, 2008, the City had total long-term debt outstanding of \$52,150,744. Of this total, \$3,063,964 is due within one year and \$49,086,780 is due in more than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt at Fiscal Year End

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital lease	\$ 88,196	\$ 0	\$ 0	\$ 0	\$ 88,196	\$ 0
Compensated absences	290,451	289,594	147,800	166,410	438,251	456,004
General obligation bonds	0	0	2,180,000	2,350,000	2,180,000	2,350,000
OPWC loans	0	0	274,231	290,506	274,231	290,506
OWDA loans	0	0	49,170,066	51,513,261	49,170,066	51,513,261
Total	\$ 378,647	\$ 289,594	\$ 51,772,097	\$ 54,320,177	\$ 52,150,744	\$ 54,609,771

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Delphos City Auditor's Office, 608 North Canal Street, Delphos, Ohio 45833-2401.

City of Delphos
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,184,107	\$ 2,226,356	\$ 3,410,463
Receivables:			
Income Taxes	710,571	0	710,571
Property Taxes	513,549	0	513,549
Accounts	80,907	1,314,863	1,395,770
Accrued Interest	8,559	422	8,981
Intergovernmental	420,119	0	420,119
Internal Balances	20,766	(20,766)	0
Materials and Supplies Inventory	16,246	36,967	53,213
Prepaid Items	26,625	40,998	67,623
Deferred Charges	0	105,096	105,096
Non-Depreciable Capital Assets	524,127	982,821	1,506,948
Depreciable Capital Assets, Net	2,150,054	58,114,104	60,264,158
<i>Total Assets</i>	<u>5,655,630</u>	<u>62,800,861</u>	<u>68,456,491</u>
Liabilities			
Accounts Payable	47,110	118,562	165,672
Accrued Wages	68,223	30,844	99,067
Contracts Payable	4,349	0	4,349
Intergovernmental Payable	70,192	22,277	92,469
Accrued Interest Payable	0	8,595	8,595
Claims Payable	3,750	0	3,750
Deferred Revenue	458,658	0	458,658
Long-Term Liabilities:			
Due Within One Year	164,287	2,899,677	3,063,964
Due in More Than One Year	214,360	48,872,420	49,086,780
<i>Total Liabilities</i>	<u>1,030,929</u>	<u>51,952,375</u>	<u>52,983,304</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,585,985	7,577,724	10,163,709
Restricted for Capital Outlay	9,533	0	9,533
Restricted for Other Purposes	1,128,405	0	1,128,405
Unrestricted	900,778	3,270,762	4,171,540
<i>Total Net Assets</i>	<u>\$ 4,624,701</u>	<u>\$ 10,848,486</u>	<u>\$ 15,473,187</u>

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 295,052	\$ 136,350	\$ 0	\$ 0	\$ (158,702)	\$ 0	\$ (158,702)
Security of Persons and Property	2,861,826	318,630	15,398	305,490	(2,222,308)	0	(2,222,308)
Public Health	158,545	0	10,000	0	(148,545)	0	(148,545)
Leisure Time Activities	521,207	107,882	0	147,000	(266,325)	0	(266,325)
Community and Economic Development	134,808	1,031	0	193,881	60,104	0	60,104
Transportation	524,828	0	376,638	174,367	26,177	0	26,177
Total Governmental Activities	4,496,266	563,893	402,036	820,738	(2,709,599)	0	(2,709,599)
Business-Type Activities:							
Water	2,076,634	1,707,693	109,439	6,489	0	(253,013)	(253,013)
Sewer	4,094,122	2,820,949	5,279	0	0	(1,267,894)	(1,267,894)
Garbage	304,527	388,508	0	0	0	83,981	83,981
Total Business-Type Activities	6,475,283	4,917,150	114,718	6,489	0	(1,436,926)	(1,436,926)
Total - Primary Government	\$ 10,971,549	\$ 5,481,043	\$ 516,754	\$ 827,227	(2,709,599)	(1,436,926)	(4,146,525)
General Revenues:							
Property Taxes Levied for:							
General Purposes					377,370	0	377,370
Safety Services					60,740	0	60,740
Income Taxes Levied for:							
General Purposes					1,639,615	0	1,639,615
Capital Improvements					741,786	0	741,786
Grants and Entitlements not Restricted to Specific Programs					518,113	0	518,113
Investment Earnings					163,030	12,347	175,377
Miscellaneous					24,163	29,975	54,138
Total General Revenues					3,524,817	42,322	3,567,139
Transfers					(564,710)	564,710	0
Total General Revenues and Transfers					2,960,107	607,032	3,567,139
Change in Net Assets					250,508	(829,894)	(579,386)
Net Assets Beginning of Year - Restated (See Note 3)					4,374,193	11,678,380	16,052,573
Net Assets End of Year					\$ 4,624,701	\$10,848,486	\$ 15,473,187

See accompanying notes to the basic financial statements.

City of Delphos
Balance Sheet
Governmental Funds
December 31, 2008

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 399,992	\$ 354,213	\$ 417,370	\$ 1,171,575
Receivables:				
Income Taxes	514,698	195,873	0	710,571
Property Taxes	445,629	0	67,920	513,549
Accounts	80,907	0	0	80,907
Accrued Interest	8,204	0	355	8,559
Intergovernmental	181,204	0	238,915	420,119
Materials and Supplies Inventory	2,753	0	13,493	16,246
Prepaid Items	18,192	374	1,559	20,125
Total Assets	\$ 1,651,579	\$ 550,460	\$ 739,612	\$ 2,941,651
Liabilities				
Accounts Payable	\$ 25,482	\$ 0	\$ 21,628	\$ 47,110
Accrued Wages	61,819	1,450	4,954	68,223
Contracts Payable	0	0	4,349	4,349
Intergovernmental Payable	37,856	1,071	31,265	70,192
Deferred Revenue	865,163	72,760	241,683	1,179,606
Total Liabilities	990,320	75,281	303,879	1,369,480
Fund Balances				
Reserved for Encumbrances	0	0	146,134	146,134
Reserved for Cemetery Improvements	578	0	0	578
Unreserved, Undesignated, Reported in:				
General Fund	660,681	0	0	660,681
Special Revenue Funds	0	475,179	468,308	943,487
Capital Projects Funds	0	0	(178,709)	(178,709)
Total Fund Balances	661,259	475,179	435,733	1,572,171
Total Liabilities and Fund Balances	\$ 1,651,579	\$ 550,460	\$ 739,612	\$ 2,941,651

See accompanying notes to the basic financial statements.

City of Delphos
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2008*

Total Governmental Fund Balances \$ 1,572,171

*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 2,674,181

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Property Taxes	\$ 54,891
Income Taxes	317,081
Intergovernmental	308,698
Charges for Services	<u>40,278</u>

Total 720,948

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. 36,048

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

Capital Leases	(88,196)
Compensated Absences	<u>(290,451)</u>

Total (378,647)

Net Assets of Governmental Activities \$ 4,624,701

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>General</u>	<u>Income Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ 345,920	\$ 0	\$ 54,534	\$ 400,454
Income Taxes	1,637,521	793,810	0	2,431,331
Charges for Services	389,004	0	82,535	471,539
Fines, Licenses and Permits	82,895	0	19,887	102,782
Intergovernmental	486,558	0	987,264	1,473,822
Interest	153,276	0	9,754	163,030
Rent	3,600	0	0	3,600
Contributions and Donations	4,419	0	3,000	7,419
Other	5,946	15	32,026	37,987
<i>Total Revenues</i>	<u>3,109,139</u>	<u>793,825</u>	<u>1,189,000</u>	<u>5,091,964</u>
Expenditures				
Current:				
General Government	166,389	72,388	41,016	279,793
Security of Persons and Property	2,267,072	0	241,449	2,508,521
Public Health	158,545	0	0	158,545
Leisure Time Activities	440,232	0	0	440,232
Community and Economic Development	0	0	134,808	134,808
Transportation	0	0	438,129	438,129
Capital Outlay	0	0	580,179	580,179
<i>Total Expenditures</i>	<u>3,032,238</u>	<u>72,388</u>	<u>1,435,581</u>	<u>4,540,207</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>76,901</u>	<u>721,437</u>	<u>(246,581)</u>	<u>551,757</u>
Other Financing Sources (Uses)				
Transfers In	0	0	321,478	321,478
Inception of Capital Lease	0	0	88,196	88,196
Transfers Out	(196,479)	(400,000)	(21,974)	(618,453)
<i>Total Other Financing Sources (Uses)</i>	<u>(196,479)</u>	<u>(400,000)</u>	<u>387,700</u>	<u>(208,779)</u>
<i>Net Change in Fund Balance</i>	(119,578)	321,437	141,119	342,978
<i>Fund Balance Beginning of Year</i>	<u>780,837</u>	<u>153,742</u>	<u>294,614</u>	<u>1,229,193</u>
<i>Fund Balance End of Year</i>	<u>\$ 661,259</u>	<u>\$ 475,179</u>	<u>\$ 435,733</u>	<u>\$ 1,572,171</u>

See accompanying notes to the basic financial statements.

City of Delphos
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008*

Net Change in Fund Balances - Total Governmental Funds **\$ 342,978**

*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 Asset Additions	\$ 227,637	
Current Year Depreciation	(280,923)	
	(53,286)	

Total		(53,286)
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Governmental funds only report the disposal of and transfers of capital assets to business-type activities to the extent proceeds are received from the sale.

In the statement of activities, a gain or loss is reported for each disposal. (4,444)

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

Delinquent Property Taxes	37,656	
Deferred Income Taxes	(49,930)	
Charges for Services	(27,852)	
Intergovernmental	112,646	
	72,520	

Total		72,520
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Inception of capital lease in the governmental funds that increases long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

(88,196)

Compensated absences 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.

(857)

The internal service fund is used to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported within governmental activities.

(18,207)

Change in Net Assets of Governmental Activities

\$ 250,508

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 474,000	\$ 474,000	\$ 350,004	\$ (123,996)
Income Taxes	1,618,000	1,618,000	1,642,943	24,943
Charges for Services	376,000	376,000	412,573	36,573
Fines, Licenses and Permits	92,000	92,000	114,803	22,803
Intergovernmental	340,000	450,672	488,954	38,282
Interest	200,000	200,000	159,324	(40,676)
Rent	5,000	5,000	3,600	(1,400)
Contributions and Donations	0	0	4,419	4,419
Other	5,000	5,000	11,380	6,380
<i>Total Revenues</i>	<u>3,110,000</u>	<u>3,220,672</u>	<u>3,188,000</u>	<u>(32,672)</u>
Expenditures				
Current:				
General Government	166,794	166,794	165,823	971
Security of Persons and Property	2,237,487	2,237,487	2,290,179	(52,692)
Public Health Services	75,000	75,000	158,545	(83,545)
Leisure Time Services	443,180	443,180	436,080	7,100
<i>Total Expenditures</i>	<u>2,922,461</u>	<u>2,922,461</u>	<u>3,050,627</u>	<u>(128,166)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>187,539</u>	<u>298,211</u>	<u>137,373</u>	<u>(160,838)</u>
Other Financing Uses				
Transfers Out	(620,626)	(620,626)	(196,479)	424,147
<i>Net Change in Fund Balance</i>	(433,087)	(322,415)	(59,106)	263,309
<i>Fund Balance Beginning of Year</i>	432,170	432,170	432,170	0
Prior Year Encumbrances Appropriated	26,928	26,928	26,928	0
<i>Fund Balance End of Year</i>	<u>\$ 26,011</u>	<u>\$ 136,683</u>	<u>\$ 399,992</u>	<u>\$ 263,309</u>

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Income Tax Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Tax	\$ 1,000,000	\$ 1,000,616	\$ 754,017	\$ (246,599)
Other	0	0	15	15
<i>Total Revenues</i>	<u>1,000,000</u>	<u>1,000,616</u>	<u>754,032</u>	<u>(246,584)</u>
Expenditures				
Current:				
General Government	272,636	272,636	72,455	200,181
<i>Excess of Revenues Under Expenditures</i>	<u>727,364</u>	<u>727,980</u>	<u>681,577</u>	<u>(46,403)</u>
Other Financing Use				
Transfers Out	(800,000)	(800,000)	(400,000)	400,000
<i>Net Change in Fund Balance</i>	(72,636)	(72,020)	281,577	353,597
<i>Fund Balance Beginning of Year</i>	72,613	72,613	72,613	0
Prior Year Encumbrances Appropriated	23	23	23	0
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 616</u>	<u>\$ 354,213</u>	<u>\$ 353,597</u>

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Other Enterprise		
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 347,959	\$ 1,819,749	\$ 58,648	\$ 2,226,356	\$ 12,532
Accounts Receivable	537,502	661,872	115,489	1,314,863	0
Accrued Interest Receivable	422	0	0	422	0
Materials and Supplies Inventory	24,949	12,018	0	36,967	0
Prepaid Items	10,323	29,846	829	40,998	6,500
<i>Total Current Assets</i>	<u>921,155</u>	<u>2,523,485</u>	<u>174,966</u>	<u>3,619,606</u>	<u>19,032</u>
<i>Non-Current Assets:</i>					
Deferred Charges	0	105,096	0	105,096	0
Non-Depreciable Capital Assets	12,658	970,163	0	982,821	0
Depreciable Capital Assets, Net	23,382,949	34,582,728	148,427	58,114,104	0
<i>Total Non-Current Assets</i>	<u>23,395,607</u>	<u>35,657,987</u>	<u>148,427</u>	<u>59,202,021</u>	<u>0</u>
<i>Total Assets</i>	<u>24,316,762</u>	<u>38,181,472</u>	<u>323,393</u>	<u>62,821,627</u>	<u>19,032</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	45,989	72,573	0	118,562	0
Accrued Wages	12,947	17,897	0	30,844	0
Intergovernmental Payable	9,138	13,139	0	22,277	0
Accrued Interest Payable	8,595	0	0	8,595	0
Claims Payable	0	0	0	0	3,750
Compensated Absences Payable	27,349	38,522	0	65,871	0
General Obligation Bonds Payable	175,000	0	0	175,000	0
OPWC Loans Payable	21,642	0	0	21,642	0
OWDA Loans Payable	665,339	1,971,825	0	2,637,164	0
<i>Total Current Liabilities</i>	<u>965,999</u>	<u>2,113,956</u>	<u>0</u>	<u>3,079,955</u>	<u>3,750</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	33,075	48,854	0	81,929	0
General Obligation Bonds Payable - Net of Current Portion	2,005,000	0	0	2,005,000	0
OPWC Loans Payable - Net of Current Portion	252,589	0	0	252,589	0
OWDA Loans Payable - Net of Current Portion	15,595,679	30,937,223	0	46,532,902	0
<i>Total Long-Term Liabilities</i>	<u>17,886,343</u>	<u>30,986,077</u>	<u>0</u>	<u>48,872,420</u>	<u>0</u>
<i>Total Liabilities</i>	<u>18,852,342</u>	<u>33,100,033</u>	<u>0</u>	<u>51,952,375</u>	<u>3,750</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	4,680,358	2,748,939	148,427	7,577,724	0
Unrestricted	784,062	2,332,500	174,966	3,291,528	15,282
<i>Total Net Assets</i>	<u>\$ 5,464,420</u>	<u>\$ 5,081,439</u>	<u>\$ 323,393</u>		<u>\$ 15,282</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(20,766)</u>	
Net assets of business-type activities				<u>\$ 10,848,486</u>	

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Other Enterprise		
Operating Revenues					
Charges for Services	\$ 1,697,986	\$ 2,819,649	\$ 388,508	\$ 4,906,143	\$ 81,000
Tap-In Fees	9,707	1,300	0	11,007	0
Other	1,251	28,724	0	29,975	0
<i>Total Operating Revenues</i>	<u>1,708,944</u>	<u>2,849,673</u>	<u>388,508</u>	<u>4,947,125</u>	<u>81,000</u>
Operating Expenses					
Personal Services	436,861	705,023	0	1,141,884	0
Contractual Services	474,744	807,322	277,673	1,559,739	4,222
Materials and Supplies	114,176	215,864	2,025	332,065	0
Claims	0	0	0	0	103,552
Depreciation	572,738	1,907,057	24,829	2,504,624	0
<i>Total Operating Expenses</i>	<u>1,598,519</u>	<u>3,635,266</u>	<u>304,527</u>	<u>5,538,312</u>	<u>107,774</u>
<i>Operating Income (Loss)</i>	<u>110,425</u>	<u>(785,593)</u>	<u>83,981</u>	<u>(591,187)</u>	<u>(26,774)</u>
Non-Operating Revenues (Expenses)					
Interest Revenue	12,347	0	0	12,347	0
Intergovernmental	109,439	5,279	0	114,718	0
Interest and Fiscal Charges	(476,268)	(452,136)	0	(928,404)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(354,482)</u>	<u>(446,857)</u>	<u>0</u>	<u>(801,339)</u>	<u>0</u>
<i>Loss (Income) Before Transfers and Contributions</i>	<u>(244,057)</u>	<u>(1,232,450)</u>	<u>83,981</u>	<u>(1,392,526)</u>	<u>(26,774)</u>
Capital Contributions	6,489	267,735	0	274,224	0
Transfers In	0	421,974	0	421,974	0
Transfers Out	0	(124,999)	0	(124,999)	0
<i>Change in Net Assets</i>	<u>(237,568)</u>	<u>(667,740)</u>	<u>83,981</u>	<u>(821,327)</u>	<u>(26,774)</u>
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>5,701,988</u>	<u>5,749,179</u>	<u>239,412</u>		<u>42,056</u>
<i>Net Assets End of Year</i>	<u>\$ 5,464,420</u>	<u>\$ 5,081,439</u>	<u>\$ 323,393</u>		<u>\$ 15,282</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(8,567)</u>	
Changes in net assets of business-type activities				<u>\$ (829,894)</u>	

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise Funds			Governmental Activities - Internal Service Fund	
	Water	Sewer	Other Enterprise		Totals
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 1,638,042	\$ 2,864,136	\$ 377,716	\$ 4,879,894	\$ 0
Cash Received from Interfund Services Provided	0	0	0	0	81,000
Other Operating Receipts	1,251	28,724	0	29,975	0
Cash Payments to Suppliers for Goods and Services	(130,524)	(213,460)	(2,025)	(346,009)	0
Cash Payments for Employees Services and Benefits	(450,388)	(716,592)	0	(1,166,980)	0
Cash Payments for Employee Medical Claims	0	0	0	0	(102,216)
Cash Payments for Contractual Services	(462,561)	(812,017)	(365,101)	(1,639,679)	(6,582)
Net Cash Provided by Operating Activities	595,820	1,150,791	10,590	1,757,201	(27,798)
Cash Flows from Noncapital Financing Activities					
Transfers In	0	421,974	0	421,974	0
Transfers Out	0	(124,999)	0	(124,999)	0
Net Cash Provided by Noncapital Financing Activities	0	296,975	0	296,975	0
Cash Flows from Capital and Related Financing Activities					
Intergovernmental Receipts	109,439	5,279	0	114,718	0
Proceeds from Loans	351,706	0	0	351,706	0
Acquisition of Capital Assets	(359,170)	(114,731)	0	(473,901)	0
Principal Payments on Debt	(937,861)	(1,943,315)	0	(2,881,176)	0
Interest Payments on Debt	(477,430)	(437,122)	0	(914,552)	0
Net Cash Used for Capital and Related Financing Activities	(1,313,316)	(2,489,889)	0	(3,803,205)	0
Cash Flows from Investing Activities					
Interest	13,289	0	0	13,289	0
Net Increase (Decrease) in Cash and Cash Equivalents	(704,207)	(1,042,123)	10,590	(1,735,740)	(27,798)
Cash and Cash Equivalents Beginning of Year	1,052,166	2,861,872	48,058	3,962,096	40,330
Cash and Cash Equivalents End of Year	\$ 347,959	\$ 1,819,749	\$ 58,648	\$ 2,226,356	\$ 12,532
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 110,425	\$ (785,593)	\$ 83,981	\$ (591,187)	\$ (26,774)
Adjustments:					
Depreciation	572,738	1,907,057	24,829	2,504,624	0
(Increase) Decrease in Assets:					
Accounts Receivable	(71,920)	40,752	(11,622)	(42,790)	0
Special Assessments Receivable	2,269	2,435	830	5,534	0
Materials and Supplies Inventory	(10,446)	9,721	0	(725)	0
Prepaid Items	(7,165)	(11,150)	(75)	(18,390)	(2,360)
Increase (Decrease) in Liabilities:					
Accounts Payable	16,346	(168)	(87,353)	(71,175)	0
Accrued Wages	(423)	1,617	0	1,194	0
Claims Payable	0	0	0	0	1,336
Compensated Absences Payable	(10,048)	(8,562)	0	(18,610)	0
Intergovernmental Payable	(5,956)	(5,318)	0	(11,274)	0
Net Cash Provided by Operating Activities	\$ 595,820	\$ 1,150,791	\$ 10,590	\$ 1,757,201	\$ (27,798)

Noncash Capital Financing Activities:
During 2008, the sewer fund received \$267,735 of capital contributions from governmental activities.
During 2008, the water fund received \$6,489 of capital contributions from developers.

See accompanying notes to the basic financial statements.

City of Delphos
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,231</u>
Liabilities	
Deposits Held and Due to Others	<u>\$ 2,231</u>

See accompanying notes to the basic financial statements.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Delphos (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 principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and to its enterprise funds. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

The City is a home rule municipal corporation established under the laws of the State of Ohio, which operates under the laws of the State of Ohio. The City operates under a part-time Mayor/Council and full-time City Safety/Service Director form of government. The Mayor and Council are elected.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City of Delphos and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.”

The primary government comprises all activities and services which are not legally separate for the City. The City provides various services, including public safety (police and fire), highways and streets, parks and recreation, public improvements, community development (planning and zoning), water and sewer, sanitation, and general administrative and legislative services. The operation of each of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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 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 that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. Currently, the City has no component units.

B. Basis of Presentation

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

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Government-wide financial statements – The statement of net assets 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 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 activities.

The statement of net assets 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 single business-type activity 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. The policy of the City is to not allocate indirect expenses to the functions in the statement of activities. Program revenues include charges paid by 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 revenue are presented as general revenues of the City with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

C. Fund Accounting

The City accounting system is organized and operated on the basis of funds. The operation of each fund is accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City’s major governmental funds:

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Income Tax Fund – This fund is used to account for the City’s municipal income tax collections.

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

Proprietary Funds - Proprietary funds are used to account for the City’s ongoing organizations and activities which are similar to those found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this approach, the focus is upon the determination of net income, financial position and cash flows. Proprietary funds are classified either as enterprise or internal service.

Enterprise Funds – The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water Fund – The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer Fund – This fund accounts for the receipt of funds from sewer service to the residents of the City, and to account for expenditures in regard to sewer service and capital improvement of these services.

The other enterprise fund of the City accounts for the receipts and expenditures of the refuse fund.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City’s internal service fund accounts for revenues of the healthcare premium and the expenditures to cover health insurance claims incurred by employees of the City.

Fiduciary Funds – Fiduciary funds reporting focuses on net assets and changes in net assets. The City’s only fiduciary fund is the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of operations. The City’s agency fund accounts for unclaimed dollars.

D. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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 resources (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 manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a 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 net assets. The statement of changes in fund net assets presents increase (i.e., revenues) and decrease (i.e., expenses) in net total assets. The statement of cash flows provides information about the City's finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic 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 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.

Revenue-Exchange and Non-exchange Transaction – 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 sixty days of the year end.

Non-exchange transactions are transactions in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes, and motel-hotel 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 (Note 5). 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 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 a modified accrual basis, revenue from the non-exchange transactions must also be available before it can be recognized.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Deferred Revenue – Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforcement legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expense/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 the governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Even though annual budgets are legally adopted, proprietary budgetary statements have not been presented since they are not required under GAAP.

All disbursements require appropriation authority. The legal level of budgetary control is at the fund level with the exception of the general fund, which is at the department level. Any budgetary modifications at this level may only be made by resolution of the City Council. Advances in and advances out are not required to be budgeted, since they represent a temporary cash advance and are intended to be repaid.

Tax Budget – During the first Council meeting in July, the City Finance Director presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Estimated Resources – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized property taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2008.

Appropriations – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund level with the exception of the general fund, which is at the department level. The appropriation ordinance may be amended during the year as new information becomes available. Total fund appropriations may not exceed current estimated resources as certified. The allocation of appropriations among departments within a fund, with the exception of the general fund, may be modified during the year by management. Appropriations among departments within the general fund may be modified during the year only by ordinance of Council. During the year, several supplemental appropriation measures were passed. However, none were significant in amount. The budget figures which appear in the statement of budgetary comparisons represent the first and final appropriation amounts, including all amendments and modifications.

Encumbrances – Encumbrances outstanding at year end represent the estimated amount of expenditures that will ultimately result if unperformed contracts in process (for example, purchase orders and contracted services) are completed. On a GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures in the governmental funds.

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

G. Cash and Cash Equivalents

Cash balances of City funds are pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments to provide improved cash management. Individual fund integrity is maintained through City records. Investments are stated at amortized cost or fair value. Each fund type's share of the pool is presented on the balance sheet in the account "Equity in Pooled Cash and Cash Equivalents." For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the City's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. The City allocates interest among various funds based upon applicable legal and administrative requirements. See Note 4, “Deposits and Investments.”

H. Materials and Supplies Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets 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 assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City maintains a capitalization threshold of five thousand dollars. Capital assets were initially determined at December 31, 1990 by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain capital assets, the estimates were calculated by indexing estimated year of acquisition. Donated capital assets are recorded at their fair market values as of the date received. The City is phasing in the reporting of infrastructure such as roads, guardrails, bridges, water lines, sewer lines and storm water drainage. The City has reported infrastructure acquired during the current year. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset’s life are not capitalized.

Interest incurred during the construction of capital assets is capitalized for business-type activities. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the useful life of the asset. For 2008, interest costs incurred on construction projects were material and were capitalized as part of the construction projects.

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

All reported capital assets are depreciated except for land and construction in progress. Depreciation is determined by allocating the cost of capital assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

<u>Asset Class</u>	<u>Governmental and Business-Type Activities Estimated Useful Life</u>
Land Improvements	15-30 years
Buildings	10-50 years
Vehicles	5-15 years
Equipment	5-20 years
Infrastructure	50 years

K. Deferred Charges

Bond issuance costs are recorded as expenditures when incurred on the governmental fund statements. Bond issuance costs are recorded as deferred charges and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method, on the government wide- and proprietary fund financial statements.

L. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In accordance with the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences*,” a liability for vacation leave is accrued if, 1) employees’ rights to receive compensation are attributable to services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means. A liability for sick leave is based on the sick leave accumulated at December 31, 2008. Sick leave benefits are accrued as a liability using the vested method. An accrual for sick leave is made when it is expected to be liquidated with available financial resources and is recorded as an expenditure and fund liability of the governmental fund that will pay it.

The entire compensated absences liability is reported on the government-wide statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

M. 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 in the proprietary fund financial statements.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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 and compensated absences 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 year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

N. Interfund Transactions

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

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources and from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing resources (uses) in the governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivable/interfund payable” for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. These amounts are eliminated in the Statement of Net Assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as “internal balances.”

Long-term advances between funds, as reported in the governmental fund financial statements are often offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

O. Fund Balance Reserves and Designations

Reserved or designated fund balances indicate that a portion of fund balance, which is not available for current appropriation or use. The unreserved or undesignated portions of fund balance reflected in the governmental funds are available for use within the specific purposes of funds. The City reports amounts representing encumbrances outstanding and cemetery improvements in the governmental funds.

P. 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 are charges for services for the water, sewer, garbage and insurance funds. Operating expenses are necessary costs incurred to provide the goods and services that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Capital Contributions

Capital contributions in the statement of activities and proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are 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 law or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions and 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 and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

U. Implementation of New Accounting Policies

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers.

GASB Statement No. 49 provides guidance on calculating and reporting the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

The implementation of GASB Statement No. 45, No. 49, and No. 50 did not affect the presentation of the financial statements of the City.

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 2 – 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 transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general and income tax funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental major funds:

	Net Change in Fund Balance	
	<u>General</u>	<u>Income Tax</u>
GAAP Basis	\$ (119,578)	\$ 321,437
Revenue Accruals	78,861	(39,793)
Expenditure Accruals	(18,389)	(67)
Budget Basis	<u>\$ (59,106)</u>	<u>\$ 281,577</u>

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 3 – Restatement of Net Assets

During 2008, the City reevaluated the estimated useful lives of their capital assets and modified various assets. As a result, net assets have been restated as follows:

	Governmental Activities	Business-Type Activities
Previously Reported Net Assets at 12/31/07	\$ 3,886,030	\$ 9,713,496
Capital Assets	488,163	1,964,884
Restated Net Assets at 1/1/08	\$ 4,374,193	\$ 11,678,380

	Business-Type Funds		
	Water	Sewer	Other Enterprise
Previously Reported Net Assets at 12/31/07	\$ 5,441,820	\$ 4,102,980	\$ 180,895
Capital Assets	260,168	1,646,199	58,517
Restated Net Assets at 1/1/08	\$ 5,701,988	\$ 5,749,179	\$ 239,412

Note 4 – Deposits and Investments

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

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

Inactive deposits are public deposits that City 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 obligations provided they are redeemable within five years of the date of settlement:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 4 – Deposits and Investments (Continued)

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 securities listed provided that the market value of the securities subject to repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-loan money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (StarOhio).

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.

Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The City's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

At year-end, the carrying amount of the City's deposits and petty cash was \$3,412,694 and the bank balances totaled \$3,661,411. Of the bank balances, \$0 was exposed to custodial credit risk.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 4 – Deposits and Investments (Continued)

Interest earnings are distributed to the street maintenance and repair, state highway and permissive tax special revenue funds and the water enterprise fund based on daily cash balances and the remainder is reported in the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$153,276, which includes \$133,551 assigned from other City funds.

Note 5 – Taxes

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2008 with real property taxes.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 percent for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 5 – Taxes (Continued)

The full tax rate for all City operations for the year ended December 31, 2008, was \$6.75 per \$1,000 of assessed value for real property and \$6.75 per \$1,000 of assessed value for intangible property. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

	Allen County	Van Wert County
Real Property	\$ 95,236,080	\$ 33,290,030
Public Utility Personal Property	2,392,110	1,050,080
Tangible Personal Property	2,866,970	4,690
Total Assessed Value	\$ 100,495,160	\$ 34,344,800

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of Delphos. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the general fund, and the police levy and police pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Taxes

The City levies an income tax of 1.5 percent on all income earned within the City as well as incomes of City residents earned outside the City. Residents are granted a 75 percent credit on income earned and taxed by another Ohio municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City allocates income tax revenues to the general and income tax funds. Tax receipts amounted to \$2,431,331 in 2008. The income tax is to be divided 67 percent to the general fund and 33 percent to the income tax fund with any expenses of the income tax process to be charged to the income tax fund and the remainder to be transferred to the sewer fund for sewer system improvements.

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 6 – Capital Assets

Governmental activities capital asset activity for the fiscal year ended December 31, 2008 was as follows:

	Restated Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 476,660	\$ 0	\$ 0	\$ 476,660
Construction in progress	137,600	255,680	(345,813)	47,467
<i>Total Capital Assets Not Being Depreciated</i>	614,260	255,680	(345,813)	524,127
 <i>Capital Assets, Being Depreciated:</i>				
Land improvements	682,114	147,000	0	829,114
Buildings	1,348,048	0	0	1,348,048
Vehicles	1,911,889	149,286	(162,867)	1,898,308
Equipment and furniture	820,513	21,484	0	841,997
<i>Total Capital Assets, Being Depreciated</i>	4,762,564	317,770	(162,867)	4,917,467
 <i>Less Accumulated Depreciation:</i>				
Land Improvements	(385,345)	(44,419)	0	(429,764)
Buildings	(534,934)	(47,237)	0	(582,171)
Vehicles	(1,212,469)	(143,693)	158,423	(1,197,739)
Equipment and Furniture	(512,165)	(45,574)	0	(557,739)
<i>Total Accumulated Depreciation</i>	(2,644,913)	(280,923)	158,423	(2,767,413)
 <i>Total Capital Assets Being Depreciated, Net</i>	 2,117,651	 36,847	 (4,444)	 2,150,054
 <i>Total Governmental Activities Capital Assets, Net</i>	 \$ 2,731,911	 \$ 292,527	 \$ (350,257)	 \$ 2,674,181

*Depreciation expense was charged to the functions/programs of the governmental activities as follows:

General Government	\$ 13,887
Leisure Time Services	86,005
Security of Persons and Property	157,478
Transportation	23,553
	\$ 280,923
Total	

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 6 – Capital Assets (Continued)

During 2008, the City transferred \$267,735 from construction in progress of the governmental activities to the business-type activities. The transfer is recorded as contributed capital in the business-type activities.

The business-type activities capital asset activity for the fiscal year ended December 31, 2008 was as follows:

	Restated Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 889,207	\$ 0	\$ 0	\$ 889,207
Construction in Progress	0	93,614	0	93,614
<i>Total Capital Assets, Not Being Depreciated</i>	<u>889,207</u>	<u>93,614</u>	<u>0</u>	<u>982,821</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	35,991,118	343,864	0	36,334,982
Land improvements	4,454,599	7,842	0	4,462,441
Vehicles	728,983	0	0	728,983
Equipment	15,461,558	0	0	15,461,558
Infrastructure	12,589,309	302,805	0	12,892,114
<i>Total Capital Assets, Being Depreciated</i>	<u>69,225,567</u>	<u>654,511</u>	<u>0</u>	<u>69,880,078</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,046,933)	(719,493)	0	(2,766,426)
Land improvements	(123,313)	(101,925)	0	(225,238)
Vehicles	(441,333)	(53,587)	0	(494,920)
Equipment	(2,870,797)	(1,405,676)	0	(4,276,473)
Infrastructure	(3,778,974)	(223,943)	0	(4,002,917)
<i>Total Accumulated Depreciation</i>	<u>(9,261,350)</u>	<u>(2,504,624)</u>	<u>0</u>	<u>(11,765,974)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>59,964,217</u>	<u>(1,850,113)</u>	<u>0</u>	<u>58,114,104</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 60,853,424</u>	<u>\$ (1,756,499)</u>	<u>\$ 0</u>	<u>\$ 59,096,925</u>

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 7 – Receivables

Receivables at December 31, 2008 consisted of taxes, accounts (billings for user charged services), accrued interest and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

Note 8 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains comprehensive insurance coverage with independent third parties for real property, building, vehicle, general liability and professional liability insurance. There were no settled claims from these risks that have exceeded commercial insurance coverage for the past three years, nor has insurance coverage been significantly reduced in the past three years.

Workers' Compensation coverage is provided by the State of Ohio and is based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

The City is partially self-insured. The insurance fund (an internal service fund) is used to account for employee premium contributions and for dental and vision premium payments. The City maintains comprehensive insurance coverage with an independent party for employee benefits. The City also contributes an amount determined by Council for each full-time employee to this fund. This amount pays for the medical out-of-pocket expenses for the employee up to the contribution of the City.

Changes in the fund's claims liability for the years 2008 and 2007 are as follows:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>End of Year</u>
2007	\$ 760	\$ 104,919	\$ 103,265	\$ 2,414
2008	2,414	103,552	102,216	3,750

Note 9 – Capital Lease

During 2008, the City entered into a capital lease for the acquisition of an ambulance. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

Governmental activities capital assets consisting of vehicles have been capitalized in the amount of \$126,196. The capitalized amount is equal to the present value of the future minimum lease payments and the down payment, respectively, at the time of acquisition, plus \$5,250 trade in value and \$32,750 down payment made by the City during the 2008.

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 9 – Capital Lease (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments:

		Amount
Year ending December 31,	2009	\$ 31,616
	2010	31,616
	2011	31,616
		94,848
Less: amount representing interest		(6,652)
Present value of net minimum lease payments		\$ 88,196

Note 10 – Long-Term Obligations

Changes in the long-term obligations of the City during 2008 were as follows:

	Outstanding 1/1/2008	Additions	Deletions	Outstanding 12/31/2008	Amounts Due In One Year
Governmental activities:					
Capital lease obligation	\$ 0	\$ 88,196	\$ 0	\$ 88,196	\$ 28,556
Compensated Absences	289,594	7,693	(6,836)	290,451	135,731
<i>Total Governmental Activities long-term liabilities</i>	\$ 289,594	\$ 95,889	\$ (6,836)	\$ 378,647	\$ 164,287
Business-Type activities:					
General Obligation Bonds:					
Water plant improvement, 3.25%-4.875%	\$ 2,350,000	\$ 0	\$ (170,000)	\$ 2,180,000	\$ 175,000
Other long-term obligations:					
1996 OWDA loan, 4.35%	2,515,620	0	(290,400)	2,225,220	303,170
2005 OWDA loan, .95%	32,336,743	0	(1,652,915)	30,683,828	1,668,655
2006 OWDA loan, 4.59%	423	0	(423)	0	0
2006 OWDA loan, 2.00%	15,225,792	351,706	(704,143)	14,873,355	634,553
2007 OWDA loan, 4.32%	815,970	0	(13,680)	802,290	14,277
2007 OWDA loan, 2.00%	618,713	0	(33,340)	585,373	16,509
1992 OPWC loan, 0%	24,763	0	(4,953)	19,810	4,953
1999 OPWC loan, 0%	90,743	0	(7,891)	82,852	7,891
2007 OPWC loan, 0%	175,000	0	(3,431)	171,569	8,798
Compensated absences	166,410	0	(18,610)	147,800	65,871
<i>Total business-type activities, long-term liabilities</i>	\$ 54,320,177	\$ 351,706	\$ (2,899,786)	\$ 51,772,097	\$ 2,899,677

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 10 – Long-Term Obligations (Continued)

The 1996 Ohio Water Development Authority (OWDA) loans were for mandated wastewater construction and sewer improvement projects. Property taxes and revenue of the facilities have been pledged to repay this debt.

The 2005 Ohio Water Development Authority (OWDA) loan was for construction of a new wastewater treatment plant. The 2006 and 2007 Ohio Water Development Authority (OWDA) loans were for construction of a new water treatment plant and reservoir. The wastewater treatment plant was up and running in October 2007. The 2006 loan is not yet complete, however, principal payments are scheduled to be due in 2009. Property taxes and revenue of the facilities will be pledged to repay the debt.

The 1992 Ohio Public Works Commission (OPWC) loan is for the repairs of the elevated water standpipe. The work began in 1992 and was completed in 1993. The full amount of loan was \$99,045. The City water system revenue will be used for the principal repayment.

The 1999 Ohio Public Works Commission (OPWC) loan is for the construction of an elevated water tank. Construction started and completed in 2000. The full amount of the loan was \$157,813. The City water system revenue will be used for the principal repayment.

The 2007 Ohio Public Works Commission (OPWC) loan is for the construction of an upground waterline. Construction was started and completed in 2007. The full amount of the loan was \$175,000. The City water system revenue will be used for the principal repayment.

The \$3,585,000 water plant improvement general obligation bonds mature in 2018 and bear interest rates ranging from 3.25 percent to 4.875 percent. The bonds represent general obligations of the City and have been used to fund various improvements being made to the South Water Plant. These bonds will be paid from revenues generated by the water system.

On August 31, 1995, the City defeased sewer system mortgage revenue bonds by placing the proceeds of OWDA Water Pollution Control Loan Fund Refinancing Agreement in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The advance refunding resulting in a difference between the reacquisition price and the net carrying amount of the old debt of \$300,278. This difference, reported in the accompanying financial statements as a deduction from OWDA loans payable, is being charged to operations through the year 2015 using the straight line method. At December 31, 2008, the remaining balance to be amortized is \$105,096 and is presented as deferred charges on the balance sheet.

The OWDA Water Pollution Control Loan Fund Refinancing Agreement pledges wastewater fund income to pay debt service. In addition, special provisions exist regarding redemptions of principal, maintenance, operation, insurance and condemnation of the project facilities.

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 10 – Long-Term Obligations (Continued)

The annual requirements to amortize all bonded debt and loans as of December 31, 2008 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2009	\$ 175,000	\$ 103,135	\$ 968,509	\$ 426,321	\$ 21,642	\$ 1,165,151	\$ 529,456
2010	185,000	95,523	1,023,241	406,799	21,641	1,229,882	502,322
2011	190,000	87,290	1,051,716	378,324	21,641	1,263,357	465,614
2012	200,000	78,645	1,081,110	348,929	21,642	1,302,752	427,574
2013	210,000	69,345	1,111,457	318,582	16,689	1,338,146	387,927
2014-2018	1,220,000	184,519	4,565,979	1,195,752	83,446	5,869,425	1,380,271
2019-2023	0	0	4,426,865	741,009	47,937	4,474,802	741,009
2024-2028	0	0	3,896,769	266,010	39,593	3,936,362	266,010
2029-2033	0	0	183,135	60,783	0	183,135	60,783
2034-2037	0	0	177,457	17,678	0	177,457	17,678
Totals	\$ 2,180,000	\$ 618,457	\$ 18,486,238	\$ 4,160,187	\$ 274,231	\$ 20,940,469	\$ 4,778,644

An amortization schedule was not finalized at December 31, 2008 for the 2005 OWDA loan for the construction of the new wastewater treatment plant; therefore, not reported in the above table. This loan had a balance of \$30,683,828 at December 31, 2008.

Note 11 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department and only with the Mayor's approval. Sick leave accrual is continuous, without limit. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement, an employee can be paid for one half of their accumulated hours of sick leave. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not used.

As of December 31, 2008, the liability for unpaid compensated absences was \$438,251 for the entire City.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 12 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. 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. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in State and local classifications contributed 10.0 percent of covered payroll and public safety members and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. For 2008, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$110,329, \$89,798, and \$92,234, respectively; 89.5 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$312 made by the City and \$445 made by the plan members.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 12 – Defined Benefit Pension Plan (Continued)

Ohio Police and Fire Pension Fund

Plan Description - 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 for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$144,862, \$99,807 and \$82,340 for the years ended December 31, 2008, 2007 and 2006, respectively. The full amount has been contributed for 2007 and 2006. 87.2 percent has been contributed for police and 86.9 percent has been contributed for firefighters for 2008.

Note 13 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222- 5601 or (800) 222-7377.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 13 – Postemployment Benefits (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll for 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$110,329, \$59,148, and \$45,115, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2008 were \$312. 89.5 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the OP&F Pension Fund sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide Other Post-employment Benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is 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, Ohio 43215-5164.

City of Delphos, Ohio
Notes to the Basic Financial Statements
December 31, 2008

Note 13 – Postemployment Benefits (Continued)

Funding Policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. 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 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees’ primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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. Active members do not make contributions to the OPEB Plan.

The City’s contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$67,476, \$46,471 and \$54,310 for the years ended December 31, 2008, 2007 and 2006, respectively. The full amount has been contributed for 2007 and 2006. 87.2 percent has been contributed for police and 86.9 percent has been contributed for firefighters for 2008.

Note 14 – Contingencies

The City of Delphos may be a party to legal proceedings seeking damages. The City management is of the opinion that the ultimate disposition of the claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, City management believes such disallowance, if any, will be immaterial.

City of Delphos, Ohio
Notes to the Basic Financial Statements
 December 31, 2008

Note 15 – Interfund Transfers

Transfers at December 31, 2008 consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>					<u>Total</u>
	<u>General</u>	<u>Income Tax</u>	<u>Nonmajor Governmental</u>	<u>Governmental Activities</u>	<u>Sewer</u>	
Nonmajor Governmental	\$ 196,479	\$ 0	\$ 0	\$ 0	\$ 124,999	\$ 321,478
Sewer	0	400,000	21,974	267,735	0	689,709
<i>Total</i>	<u>\$ 196,479</u>	<u>\$ 400,000</u>	<u>\$ 21,974</u>	<u>\$ 267,735</u>	<u>\$ 124,999</u>	<u>\$ 1,011,187</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

Income tax revenue is transferred to the sewer fund, per City Ordinance, for repayment of debt. Revenue is transferred from the sewer fund to the Jackson Street Non-Major Capital Project Fund. This fund is a sewer construction project fund and accounts for the City's estimated costs of the project. Upon completion of the Jackson Street project, the City transferred the unexpended funds from the nonmajor capital projects fund to the sewer fund. The transfer from governmental activities to the sewer fund is for capital assets.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

June 25, 2010

To the Honorable Mayor and City Council
City of Delphos
Delphos, Ohio

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statement and have issued our report thereon dated June 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We did note certain matters that we reported to the City's management in a separate letter dated June 25, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated June 25, 2010.

This report is intended for the information and use of the audit committee, management, and Council, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

CITY OF DELPHOS, OHIO – ALLEN COUNTY

*Schedule of Prior Audit Findings
Year Ended December 31, 2008*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Filing of financial statements, free of significant audit adjustments	Yes	
2007-002	Appropriate controls over the recording of on-behalf-of payments.	Yes	
2007-003	Establishment of a formal policy governing the accounting procedures for the capitalization of government-owned assets.	Yes	
2007-004	Ohio Revised Code Section 5705.10(H) requires money that is paid into a fund to be used only for purposes for which such fund was established.	Yes	
2007-005	Ohio Revised Code Section 5705.41(D) states that no expenditure of money shall be made without proper appropriation evidenced by a purchase order.	Partially Corrected	Significant improvement is noted; violation is addressed in the Management Letter



Mary Taylor, CPA
Auditor of State

CITY OF DELPHUS

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
SEPTEMBER 23, 2010**