



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF DELAWARE
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	7
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – (Non-GAAP-Budget Basis) All Governmental Fund Types	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	11
Combined Statement of Cash Flows - All Proprietary Fund Types	12
Notes to the General Purpose Financial Statements	13
Schedule of Federal Awards Receipts and Expenditures and Notes to the Schedule of Federal Awards Receipts and Expenditures	37
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39
Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings	43
Schedule of Prior Audit Findings and Corrective Action Plan	45

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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REPORT OF INDEPENDENT ACCOUNTANTS

Members of Council
City of Delaware
Delaware County
1 South Sandusky Street
Delaware, Ohio 43015

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

We conducted our audit in accordance with generally accepted auditing standards 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 opinion.

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

As discussed in Note 2 to the general purpose financial statements, the City changed its method of reporting the liability for compensated absences.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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JIM PETRO
Auditor of State

October 24, 2000

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**CITY OF DELAWARE
DELAWARE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 1999**

<u>ASSETS AND OTHER DEBITS</u>	GOVERNMENTAL FUND TYPES			
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
ASSETS				
CASH AND INVESTMENTS	2,138,822	3,862,825	2,428	2,719,227
NET RECEIVABLES	1,662,312	539,092	0	0
PREPAID EXPENSES	23,436	8,695	0	0
RESTRICTED ASSETS:				
CASH IN CITY TREASURY	0	0	0	0
CASH WITH TRUSTEES	0	0	0	0
ACCRUED INTEREST	0	0	0	0
DUE FROM:				
OTHER GOVERNMENTS	312,264	378,034	0	299,740
FUNDS	526,302	0	1,000	0
INVENTORY	0	16,986	0	0
DEFERRED CHARGE	0	0	0	0
FIXED ASSETS NET OF ACCUMULATED DEPRECIATION, WHERE APPLICABLE	0	0	0	0
OTHER DEBITS				
AMOUNT AVAILABLE IN DEBT SERVICE FUND	0	0	0	0
AMOUNT TO BE PROVIDED FOR RETIREMENT OF GENERAL LONG-TERM OBLIGATIONS	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	<u>4,663,136</u>	<u>4,805,632</u>	<u>3,428</u>	<u>3,018,967</u>
<u>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</u>				
LIABILITIES				
ACCOUNTS PAYABLE	96,762	246,356	0	681,088
CUSTOMER DEPOSITS	0	0	0	0
ACCRUED LIABILITIES	473,940	136,943	0	0
PAYABLES FROM RESTRICTED ASSETS:				
ACCRUED INTEREST PAYABLE	0	0	0	0
DUE TO:				
OTHER FUNDS	0	350,109	0	176,193
OTHERS	0	0	0	9,108
REVENUE BONDS AND LOAN PAYABLE	0	0	0	0
GENERAL OBLIGATION BONDS PAYABLE	0	0	0	0
NOTES PAYABLE	0	0	0	0
DEFERRED REVENUE	791,122	226,080	0	0
LANDFILL POSTCLOSURE OBLIGATION	0	0	0	0
TOTAL LIABILITIES	<u>1,361,824</u>	<u>959,488</u>	<u>0</u>	<u>866,389</u>
FUND EQUITY AND OTHER CREDITS				
INVESTMENT IN GENERAL FIXED ASSETS	0	0	0	0
CONTRIBUTED CAPITAL	0	0	0	0
RETAINED EARNINGS	0	0	0	0
FUND BALANCES:				
RESERVED FOR ENCUMBRANCES	405,016	932,464	0	2,250,905
UNRESERVED	2,896,296	2,913,680	3,428	(98,327)
TOTAL FUND EQUITY AND OTHER CREDITS	<u>3,301,312</u>	<u>3,846,144</u>	<u>3,428</u>	<u>2,152,578</u>
TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS	<u>4,663,136</u>	<u>4,805,632</u>	<u>3,428</u>	<u>3,018,967</u>

SEE ACCOMPANYING NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		ACCOUNT GROUPS		TOTAL (MEMORANDUM) ONLY)
ENTERPRISE	INTERNAL SERVICE	AGENCY	EXPENDABLE TRUST	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
9,747,208	1,364,677	366,598	76,146	0	0	20,277,931
944,430	0	0	0	0	0	3,145,834
36,534	0	0	0	0	0	68,665
480,000	0	0	0	0	0	480,000
499,433	0	0	0	0	0	499,433
3,159	0	0	0	0	0	3,159
700,000	0	0	0	0	0	1,690,038
0	0	0	0	0	0	527,302
14,853	7,096	0	0	0	0	38,935
97,564	0	0	0	0	0	97,564
31,454,396	29,190	0	0	27,663,726	0	59,147,312
0	0	0	0	0	3,428	3,428
0	0	0	0	0	8,963,184	8,963,184
<u>43,977,577</u>	<u>1,400,963</u>	<u>366,598</u>	<u>76,146</u>	<u>27,663,726</u>	<u>8,966,612</u>	<u>94,942,785</u>
361,283	12,504	0	508	0	0	1,398,501
165,500	0	0	0	0	0	165,500
694,660	382,130	0	0	0	2,569,612	4,257,285
29,744	0	0	0	0	0	29,744
1,000	0	0	0	0	0	527,302
179	0	366,598	0	0	0	375,885
4,099,970	0	0	0	0	0	4,099,970
0	0	0	0	0	1,897,000	1,897,000
0	0	0	0	0	4,500,000	4,500,000
0	0	0	0	0	0	1,017,202
300,000	0	0	0	0	0	300,000
<u>5,652,336</u>	<u>394,634</u>	<u>366,598</u>	<u>508</u>	<u>0</u>	<u>8,966,612</u>	<u>18,568,389</u>
0	0	0	0	27,663,726	0	27,663,726
14,943,297	0	0	0	0	0	14,943,297
23,381,944	1,006,329	0	0	0	0	24,388,273
0	0	0	520	0	0	3,588,905
0	0	0	75,118	0	0	5,790,195
<u>38,325,241</u>	<u>1,006,329</u>	<u>0</u>	<u>75,638</u>	<u>27,663,726</u>	<u>0</u>	<u>76,374,396</u>
<u>43,977,577</u>	<u>1,400,963</u>	<u>366,598</u>	<u>76,146</u>	<u>27,663,726</u>	<u>8,966,612</u>	<u>94,942,785</u>

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**CITY OF DELAWARE
DELAWARE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTAL (MEMORANDUM) ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
REVENUES:						
INCOME TAXES	\$ 6,115,969	\$ 2,657,775	\$ 0	\$ 0	\$ 0	\$ 8,773,744
PROPERTY AND OTHER TAXES	1,136,617	223,789	0	0	0	1,360,406
INTERGOVERNMENTAL	1,530,748	2,129,799	0	156,659	0	3,817,206
CHARGES FOR SERVICE	602,638	430,298	0	0	42,418	1,075,354
FINES AND COURT FEES	1,307,329	0	0	0	0	1,307,329
LICENSES AND PERMITS	560,009	0	0	0	0	560,009
INVESTMENT INCOME	348,992	126,180	590	51,430	0	527,192
MISCELLANEOUS	281,127	101,749	81,034	14,025	5,841	483,776
TOTAL REVENUES	11,883,429	5,669,590	81,624	222,114	48,259	17,905,016
EXPENDITURES:						
CURRENT:						
PUBLIC SAFETY	6,189,253	0	0	0	0	6,189,253
GENERAL GOVERNMENT	4,424,694	161,320	0	81,413	0	4,667,427
AIRPORT & PUBLIC WORKS	0	1,755,232	0	0	0	1,755,232
RECREATION AND PARKS	0	904,976	0	0	2,550	907,526
CAPITAL OUTLAY	234,205	880,809	0	3,961,313	0	5,076,327
DEBT SERVICE:						
PRINCIPAL RETIREMENT	0	0	1,435,000	0	0	1,435,000
INTEREST AND FISCAL CHARGES	0	0	242,950	0	0	242,950
TOTAL EXPENDITURES	10,848,152	3,702,337	1,677,950	4,042,726	2,550	20,273,715
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,035,277	1,967,253	(1,596,326)	(3,820,612)	45,709	(2,368,699)
OTHER FINANCING SOURCES (USES):						
PROCEEDS FROM BONDS (NET)	0	0	132,794	0	0	132,794
PROCEEDS FROM NOTES	0	0	0	2,397,635	0	2,397,635
INCOME TAX REFUNDS	(181,413)	0	0	0	0	(181,413)
OPERATING TRANSFER IN	3,604,385	1,988,750	1,444,853	2,195,226	0	9,233,214
OPERATING TRANSFERS OUT	(3,499,750)	(3,931,060)	0	(815,777)	(715)	(8,247,302)
TOTAL OTHER FINANCING SOURCES (USES)	(76,778)	(1,942,310)	1,577,647	3,777,084	(715)	3,334,928
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	958,499	24,943	(18,679)	(43,528)	44,994	966,229
FUND BALANCES AT BEGINNING OF YEAR RESTATE (NOTE 2)	2,342,813	3,821,201	22,107	2,196,106	30,644	8,412,871
FUND BALANCES AT END OF YEAR	\$ 3,301,312	\$ 3,846,144	\$ 3,428	\$ 2,152,578	\$ 75,638	\$ 9,379,100

SEE ACCOMPANYING NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF DELAWARE
DELAWARE COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
INCOME TAXES	5,885,000	6,040,193	155,193	2,705,000	2,766,406	61,406
PROPERTY AND OTHER TAXES	1,281,500	1,317,303	35,803	224,780	223,789	(991)
INTERGOVERNMENTAL	1,591,900	1,532,753	(59,147)	3,187,661	1,857,827	(1,329,834)
CHARGES FOR SERVICE	716,000	602,637	(113,363)	614,200	431,942	(182,258)
FINES AND COURT FEES	1,411,000	1,315,037	(95,963)	0	0	0
LICENSES AND PERMITS	430,260	560,009	129,749	0	0	0
INVESTMENT INCOME	325,000	348,992	23,992	112,600	126,180	13,580
MISCELLANEOUS	155,000	131,206	(23,794)	245,600	97,630	(147,970)
TOTAL REVENUES	11,795,660	11,848,130	52,470	7,089,841	5,503,774	(1,586,067)
EXPENDITURES:						
CURRENT:						
PUBLIC SAFETY	6,884,083	6,483,325	400,758	73,000	0	73,000
GENERAL GOVERNMENT	5,157,709	4,686,486	471,223	0	0	0
AIRPORT & PUBLIC WORKS	0	0	0	1,995,604	1,793,552	202,052
RECREATION AND PARKS	0	0	0	1,008,780	921,361	87,419
PUBLIC HEALTH	0	0	0	745,300	214,312	530,988
CAPITAL OUTLAY	190,803	169,745	21,058	1,496,018	1,129,021	366,997
DEBT SERVICE:						
PRINCIPAL RETIREMENT	0	0	0	0	0	0
INTEREST AND FISCAL CHARGES	0	0	0	0	0	0
TOTAL EXPENDITURES	12,232,595	11,339,557	893,038	5,318,702	4,058,246	1,260,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(436,935)	508,573	945,508	1,771,139	1,445,528	(325,611)
OTHER FINANCING SOURCES (USES):						
PROCEEDS OF NOTE ISSUANCE	0	0	0	0	0	0
PROCEEDS OF BOND ISSUANCE	0	0	0	0	0	0
INCOME TAX REFUNDS	(185,500)	(181,413)	4,087	0	0	0
OPERATING TRANSFER IN	3,362,245	3,574,096	211,851	1,884,750	1,988,750	104,000
OPERATING TRANSFERS OUT	(3,499,750)	(3,499,750)	0	(4,579,780)	(3,900,771)	679,009
TOTAL OTHER FINANCING SOURCES (USES)	(323,005)	(107,067)	215,938	(2,695,030)	(1,912,021)	783,009
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(759,940)	401,506	1,161,446	(923,891)	(466,493)	457,398
FUND BALANCES AT BEGINNING OF YEAR	1,549,777	1,549,777	0	3,355,570	3,355,570	0
FUND BALANCES AT END OF YEAR	789,837	1,951,284	1,161,446	2,431,679	2,889,077	457,398

SEE ACCOMPANYING NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			TOTAL (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
0	0	0	0	0	0	8,590,000	8,806,599	216,599
0	0	0	0	0	0	1,506,280	1,541,092	34,812
0	0	0	2,012,786	615,914	(1,396,872)	6,792,347	4,006,494	(2,785,853)
0	0	0	0	0	0	1,330,200	1,034,579	(295,621)
0	0	0	0	0	0	1,411,000	1,315,037	(95,963)
0	0	0	0	0	0	430,260	560,009	129,749
1,250	590	(660)	2,500	53,482	50,982	441,350	529,244	87,894
0	81,034	81,034	15,000	14,025	(975)	415,600	323,895	(91,705)
<u>1,250</u>	<u>81,624</u>	<u>80,374</u>	<u>2,030,286</u>	<u>683,421</u>	<u>(1,346,865)</u>	<u>20,917,037</u>	<u>18,116,949</u>	<u>(2,800,088)</u>
0	0	0	0	0	0	6,957,083	6,483,325	473,758
0	0	0	111,700	127,604	(15,904)	5,269,409	4,814,090	455,319
0	0	0	0	0	0	1,995,604	1,793,552	202,052
0	0	0	0	0	0	1,008,780	921,361	87,419
0	0	0	0	0	0	745,300	214,312	530,988
0	0	0	5,955,903	4,266,139	1,689,764	7,642,724	5,564,905	2,077,819
3,540,000	3,540,000	0	0	0	0	3,540,000	3,540,000	0
243,049	242,950	99	0	0	0	243,049	242,950	99
<u>3,783,049</u>	<u>3,782,950</u>	<u>99</u>	<u>6,067,603</u>	<u>4,393,743</u>	<u>1,673,860</u>	<u>27,401,949</u>	<u>23,574,496</u>	<u>3,827,453</u>
<u>(3,781,799)</u>	<u>(3,701,326)</u>	<u>80,473</u>	<u>(4,037,317)</u>	<u>(3,710,322)</u>	<u>326,995</u>	<u>(6,484,912)</u>	<u>(5,457,547)</u>	<u>1,027,365</u>
2,343,696	2,105,000	0	2,395,000	2,397,635	2,635	4,738,696	4,502,635	(236,061)
0	132,794	0	0	0	0	0	132,794	132,794
0	0	0	0	0	0	(185,500)	(181,413)	4,087
1,436,178	1,444,853	8,675	2,600,068	2,195,226	(404,842)	9,283,241	9,202,925	(80,316)
0	0	0	(1,114,123)	(815,777)	298,346	(9,193,653)	(8,216,298)	977,355
<u>3,779,874</u>	<u>3,682,647</u>	<u>(97,227)</u>	<u>3,880,945</u>	<u>3,777,084</u>	<u>(103,861)</u>	<u>4,642,784</u>	<u>5,440,643</u>	<u>797,859</u>
(1,925)	(18,679)	(16,754)	(156,372)	66,762	223,134	(1,842,128)	(16,904)	1,825,224
<u>21,107</u>	<u>21,107</u>	<u>0</u>	<u>225,367</u>	<u>225,367</u>	<u>0</u>	<u>5,151,821</u>	<u>5,151,821</u>	<u>0</u>
<u>19,182</u>	<u>2,428</u>	<u>(16,754)</u>	<u>68,995</u>	<u>292,129</u>	<u>223,134</u>	<u>3,309,693</u>	<u>5,134,918</u>	<u>1,825,224</u>

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**CITY OF DELAWARE
DELAWARE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS--ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>OPERATING REVENUES :</u>			
CHARGES FOR SERVICES	8,134,847	1,991,206	10,126,053
INTERGOVERNMENTAL	237,000	0	237,000
TOTAL OPERATING REVENUE	<u>8,371,847</u>	<u>1,991,206</u>	<u>10,363,053</u>
<u>OPERATING EXPENSES:</u>			
PERSONAL SERVICES	2,471,555	96,896	2,568,451
DEPRECIATION	1,336,721	5,494	1,342,215
CONTRACTUAL SERVICES	1,417,070	1,815,663	3,232,733
MATERIALS AND SUPPLIES	450,488	262,000	712,488
TOTAL OPERATING EXPENSES	<u>5,675,834</u>	<u>2,180,053</u>	<u>7,855,887</u>
OPERATING INCOME (LOSS)	<u>2,696,013</u>	<u>(188,847)</u>	<u>2,507,166</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
INTEREST INCOME	519,875	0	519,875
INTEREST EXPENSE	(245,191)	0	(245,191)
OTHER, NET	(41,525)	(6,610)	(48,135)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>233,159</u>	<u>(6,610)</u>	<u>226,549</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,929,172	(195,457)	2,733,715
OPERATING TRANSFERS IN	5,000	0	5,000
OPERATING TRANSFERS OUT	(990,912)	0	(990,912)
NET INCOME (LOSS)	1,943,260	(195,457)	1,747,803
DEPRECIATION ON FIXED ASSETS ACQUIRED BY CONTRIBUTED CAPITAL	<u>536,292</u>	<u>0</u>	<u>536,292</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	2,479,552	(195,457)	2,284,095
RETAINED EARNINGS AT BEGINNING OF YEAR - RESTATED (NOTE 2)	<u>20,902,392</u>	<u>1,201,786</u>	<u>22,104,178</u>
RETAINED EARNINGS AT END OF YEAR	<u><u>23,381,944</u></u>	<u><u>1,006,329</u></u>	<u><u>24,388,273</u></u>

SEE ACCOMPANYING NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

**CITY OF DELAWARE
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>ENTEPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>Cash Flows from Operating Activities:</u>			
Operating Income	\$2,696,013	(\$188,847)	\$2,507,166
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,336,721	5494	1,342,215
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(28,667)	0	(28,667)
Increase in Prepaid Assets	(170)	0	(170)
Increase in Inventory	(2,407)	0	(2,407)
Decrease in Deferred Charge	8,130	0	8,130
Increase in Accounts Payable	180,008	5,643	185,651
Increase in Customer Deposits	10,522	0	10,522
Increase in Accrued Liabilities	123,447	217,119	340,566
Increase in Due to Other	179	0	179
Decrease in Landfill Postclosure Liability	(72,265)	0	(72,265)
Net Cash Provided By Operating Activities	<u>4,251,511</u>	<u>39,409</u>	<u>4,290,920</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Transfers in (out)	<u>(985,912)</u>	<u>0</u>	<u>(985,912)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Capital Assets	(2,504,963)	(16,793)	(2,521,756)
Other	(41,525)	(6,610)	(48,135)
Interest paid	(245,191)	0	(245,191)
Principal payments on bonds, notes, loans	(210,000)	0	(210,000)
Net Cash used in capital and related financing activities	<u>(3,001,679)</u>	<u>(23,403)</u>	<u>(3,025,082)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest received	519,875	0	519,875
Net Increase in Cash and Cash Equivalents	783,795	16,006	799,801
Cash and Cash Equivalents Beginning of Year	<u>9,942,846</u>	<u>1,348,671</u>	<u>11,291,517</u>
Cash and Cash Equivalents End of Year	<u>\$10,726,641</u>	<u>\$1,364,677</u>	<u>\$12,091,318</u>

See Accompanying Notes to the General Purpose Financial Statements

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Delaware, Ohio (the "City") is an incorporated municipality under the laws of the state of Ohio. Its charter was adopted November 6, 1951, and established the Council/Manager form of government. The City presently provides the following services as authorized by its charter: public safety, airport and public works, recreation and parks, engineering, public health and water and sewer enterprise activities.

The financial statements of the City of Delaware have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its Proprietary Fund activities. The more significant of the City's accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are fairly presented and complete. The primary government consists of all funds, departments, boards and commissions that are not legally separate from the City.

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

The Delaware Municipal Court's (the "Court") activities are included within these general-purpose financial statements as required by Governmental Accounting Standard No. 14, *The Financial Reporting Entity*. The City includes the Court's cash balance and liability to others within its agency funds, and the City's share of Court fines collected and operating expenditures in the General Fund. The Court serves as the Court of record and has jurisdiction within Delaware County. The City is responsible for financing Court operations and has recorded Court operating expenditures in the General Fund. The City, however, has no ability to select or influence Court management and cannot dictate budget and other fiscal matters. The Court is presided over by a separately elected judge who has the authority to select and appoint all officials of the Court and to direct the Court's activity.

B. Basis of Presentation - Fund Accounting

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

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types. The various funds are summarized by type in the general-purpose financial statements. The City uses the following fund types and account groups:

Governmental Fund Types:

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

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The fund balance of the General Fund is available to the City for any purpose provided it is expended or transferred according to the City's Charter and Code and the general laws and regulations of the State of Ohio.

Special Revenue Funds

Special Revenue Funds are used to account for revenues derived from specific taxes, grants, or other sources (other than those relating to major capital projects) whose use is restricted. The uses and limitations of each Special Revenue Fund are specified by City ordinances or federal or state statutes.

Debt Service Funds

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

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types:

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

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is for user charges to finance services provided to the general public on a continuing basis.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

Expendable Trust Funds

Expendable Trust Funds are accounted for and reported as Governmental Funds.

Agency Funds:

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group

This Account Group reflects the costs of fixed assets of the City other than those accounted for in the Proprietary Funds. These assets do not represent financial resources available for expenditure, but are items for which financial resources have been used and for which the City maintains accountability. They are not assets of any fund, but of the City as a whole.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Account Groups: (Continued)

General Long-Term Obligations Account Group

This Account Group reflects all unmatured long-term indebtedness of the City that is not a specific liability of a Proprietary or Trust Fund.

C. Basis of Accounting

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

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

The modified accrual basis of accounting is followed by the Governmental Funds, Expendable Trust and Agency Funds. Under this method of accounting, the City recognized revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be three months after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recognized as expenditures when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues accrued at the end of the year included: interest earnings, income tax withholdings, hotel taxes, rents, billings for services and materials, and certain intergovernmental revenues.

Fines and miscellaneous revenues are recorded as revenue when received because they are not measurable and available until received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized. Property taxes measurable as of December 31, 1999, but which are not intended to finance 1999 operations, are recorded as deferred revenues.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

D. Budgets and Budgetary Accounting

The City's budget is adopted and modified as follows:

1. Prior to November 15, the City Manager submits to City Council an estimate of the expenditures necessary to conduct the affairs of the City for the fiscal year commencing the following January 1.
2. Budget estimates are distributed throughout the City (including newspapers and libraries), and public hearings are held to obtain taxpayers' comments.
3. Prior to January 1 and after publication of the proposed budget ordinances, the budget is legally enacted by ordinance.
4. Supplemental appropriations and transfers of appropriations between funds and departments must be approved by City Council.
5. Expenditures cannot legally exceed appropriations at the department level. Unencumbered appropriations lapse at year-end, and encumbered appropriations are reported as expenditures in the current year.

The City Manager estimates the budgeted revenues presented in the combined statement of revenues, expenditures and changes in fund balances—budget and actual, in conjunction with the annual budgeting process. However, this estimate is not included or required in the budget ordinance.

The City's budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). To provide a meaningful comparison of results with the budget, the results of operations are presented in the combined statements of revenues, expenditures and changes in fund balances—budget and actual—all governmental fund types on the budgetary basis.

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

- Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis).

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting (Continued)

Encumbrance accounting is employed in the Governmental Funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances in the Governmental Funds since they are neither an expenditure nor a liability.

E. Cash and Cash Equivalents

Cash received by the City is deposited in a central bank account. Monies for all funds, except cash held by a trustee, fiscal agent, or Municipal Court, are maintained in the account or temporarily used to purchase investments. Individual fund integrity is maintained through City records. Each fund's interest in the pool of cash and investments is presented as "Cash and Cash Equivalents" on the combined balance sheet.

During the year, investments were limited to government securities and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments with the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

F. Fixed Assets

Fixed assets purchased for general governmental purposes are recorded as expenditures in the Governmental Funds and capitalized at cost (or estimated historical cost) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the time received. Fixed assets consisting of certain improvements other than buildings—including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems—have not been capitalized. These assets normally are immovable and of value only to the City. Therefore, stewardship for capital expenditures can be satisfied without recording these assets. Fixed assets associated with the City's enterprise and internal service fund type activities are accounted for in their respective funds. Property and equipment acquired by the Proprietary Funds are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. The original cost of the water and sewer distribution systems was not available. Accordingly, such costs were estimated using standard industry assumptions as determined by an outside consultant. Contributed fixed assets are recorded at fair market value at the time received.

Depreciation: Depreciation is an element of expense resulting from the use of long lived assets. It is measured by allocating the expected net cost of using the asset over its estimated useful life in a systematic and rational manner. No depreciation has been provided on general fixed assets. In proprietary funds, depreciation is recorded annually as an element in the determination of net income and is recorded annually as an expense. Depreciation has been provided using the straight-line method over the following estimated useful lives:

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fixed Assets (Continued)

	Useful life
Vehicles (autos and trucks)	5 - 8
Machinery, equipment, furniture, & fixtures	10-25
Buildings	25
Sewers and water mains	25 - 100

Capitalization of Interest: Capitalized interest has not been recorded.

G. Contributed Capital

Contributed capital represents donations by developers, grants restricted for capital construction, and contributions made by the City. These assets are recorded at their market value on the date contributed.

H. Compensated Absences

The City accrues a liability for compensated absences in accordance with the provisions of *GASB Statement No. 16, "Accounting for Compensated Absences."* Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31, by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on the accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the City's liability for unpaid accumulated sick leave and vacation time is the amount to be paid using expendable available financial resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the general long-term obligations account group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Memorandum Only - Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. PRIOR YEAR RESTATEMENT

The City adjusted beginning fund balances/retained earnings to revise compensated absence liability balances:

Restatements of fund balance/retained earnings are as follows:

	Amount at 12/31/98	Restated Amount
General Fund	\$2,579,039	\$2,342,813
Special Revenue	3,865,031	3,821,201
Enterprise	20,945,526	20,902,392
Internal Service	1,202,875	1,201,786

During 1999, the City began reporting internal service fund transfers as revenues to the internal service fund and expenses or expenditures in the paying funds. This revision had no impact on beginning fund balances/retained earnings.

3. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

- (c) Encumbrances are recorded as the equivalent of an expenditure (budget basis) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation as opposed to a reservation of fund balance for governmental funds (GAAP basis); and,
- (d) Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

	Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis Excess	\$958,499	\$24,943	(\$18,679)	(\$43,528)
Revenue Accruals	(35,299)	(165,816)	0	461,307
Expenditure Accruals	(314,916)	(355,909)	0	(351,017)
Encumbrances	(176,489)	0	0	0
GAAP Transfers	(30,289)	30,289	0	0
Budget Basis Excess	\$401,506	(\$466,493)	(\$18,679)	\$66,762

4. DEPOSITS AND INVESTMENTS

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

1. 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.
2. Inactive deposits are public deposits that Council has identified as not required for use within current two year period 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.
3. 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 pass book accounts.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, governmental national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 subdivisions of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 1999, the carrying amount of the City's deposits was \$349,502, and the bank balance was \$914,569. Of the bank balance, \$134,569 was covered by collateral held in the pledging banks' trust department in the City's name and \$780,000 was covered by public deposit collateral pools and not held in the City's name. Cash held with trustee is \$499,433.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements" requires that the local government disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name or (3) uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

	Category			Fair
	1	2	3	Value
US Securities		460,922		460,922
NCC Trust			40,993	40,993
STAR Ohio				19,906,514
Total Investments	\$0	\$460,922	\$40,993	\$20,408,429

Investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

5. INCOME TAX

The City collects an income tax of one and four-tenths percent of Delaware taxable income, defined as gross wages and salaries before any deductions and profits. Filing is mandatory for all residents. Employers within the City are required to withhold tax on all employees working in the City and remit those monies on either a quarterly or monthly schedule. Employers are required to reconcile those withholdings on an annual basis.

6. PROPERTY TAX

Property taxes include amounts levied against real, public utility and tangible (used in business) property located in the City. Real property taxes collected during 1999 had lien and levy dates of January 1, 1998. One half of this tax was due February 10, 1999, with the remaining balance due on July 10, 1999. Tangible personal property taxes had lien and levy dates of January 1, 1999. This tax was due on April 30, 1999.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

6. PROPERTY TAX (Continued)

Assessed values on real property are established by state law at 35 percent of appraised market value. A re-evaluation of all property is required to be completed no less than every six years. The last re-evaluation was completed in 1996. Tangible personal property assessments are 25 percent of true value (true values are based on cost and established by the state of Ohio). The assessed value in 1998, upon which the 1999 levy was based, was approximately \$367 million. The assessed value for 1999, upon which the 2000 levy will be based, is approximately \$436 million.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1 percent of assessed value without a vote of the people. Under current procedures, the City's share is .30 percent (3.04 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Delaware, Ohio. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes may be paid on either an annual or semiannual basis.

7. RECEIVABLES

Receivables at December 31, 1999, consisted of taxes, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible except accounts receivable related to utility services.

A summary of accounts related to utility services is as follows:

	Water	Sewer	Other	Total
Gross receivable	\$501,391	\$499,992	\$175,981	\$1,177,364
Less: Allowance for Uncollectible	(97,415)	(88,259)	(47,260)	(232,934)
Net Receivable	<u>\$403,976</u>	<u>\$411,733</u>	<u>\$128,721</u>	<u>\$944,430</u>

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

7. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables were as follows:

	General Fund	Special Revenue	Capital Projects	Enterprise	Total
<i>Federal Government</i>					
FAA	-	-	\$146,814	-	\$146,814
HUD	-	16,855	-	-	16,855
COPS	698	-	-	-	698
CPBG	-	25,221	-	-	25,221
<i>State Government</i>					
License Fee and Gas Tax	-	58,491	-	-	58,491
Local Government Funds	11,238	-	-	-	11,238
ODNR	-	-	32,997	-	32,997
ODTA	-	-	11,457	-	11,457
OPWC	-	-	108,472	-	108,472
ODOD	-	238,809	-	685,000	923,809
<i>Local Government</i>					
Delaware County	121,509	-	-	-	121,509
Local Government Funds	79,332	-	-	-	79,332
License Fee and Gas Tax	-	10,472	-	-	10,472
DKMM Solid Waste Distr.	-	-	-	15,000	15,000
Municipal Court	99,487	28,186	-	-	127,673
Total	\$312,264	\$378,034	\$299,740	\$700,000	\$1,690,038

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

8. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 1999 consist of the following individual fund receivables and payables:

Fund	Receivable	Payable
General	\$526,302	-
Special Revenue		
Rental Rehabilitation	-	40,286
Community Police Block Grant	-	1,000
Fire/EMS income tax	-	308,823
Police and Fire Pension	-	-
Total Special Revenue	0	350,109
Debt Service	1,000	-
Capital Projects		
Federal Aviation Administration Airport Expansion	-	176,193
Total Capital Projects	-	176,193
Enterprise		
Sewer	-	1,000
Total Enterprise	-	1,000
Total - All Funds	<u>\$527,302</u>	<u>\$527,302</u>

9. FIXED ASSETS

General Fixed Assets: Changes in general fixed assets during 1999 were as follows:

Classification	Balance 12/31/98	Additions	Deletions	Balance 12/31/99
Land	\$1,090,061	\$0	\$0	\$1,090,061
Buildings and Improvements	12,124,156	322,371	0	12,446,527
Machinery and equipment	6,219,171	549,557	5,162	6,763,566
Construction in Progress	7,117,692	459,232	213,352	7,363,572
Total	\$26,551,080	\$1,331,160	\$218,514	\$27,663,726

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

9. FIXED ASSETS (Continued)

General fixed asset construction in progress consists of \$7,363,572 for the expansion of the airport runway.

As of December 31, 1999, the City had committed to approximately \$1,000,000 under construction contracts to complete these projects.

Proprietary Fund Fixed Assets: A summary of the Proprietary fixed assets as of December 31, 1999, is as follows:

Classification	Enterprise				Internal Service
	Water	Sewer	Other	Total	
Land	\$445,462	\$2,500	\$442,649	\$890,611	\$0
Buildings	5,618,066	11,181,072	20,919	16,820,057	0
Improvements	11,152,098	17,038,210	0	28,190,308	0
Machinery and equipment	1,003,098	1,494,486	1,675,555	4,173,139	89,764
Construction in progress	959,355	459,966	0	1,419,321	0
Total Gross Fixed Assets	19,178,079	30,176,234	2,139,123	51,493,436	89,764
Less Accumulated Depreciation	(7,134,218)	(11,858,887)	(1,045,935)	(20,039,040)	(60,574)
Net Fixed Assets	<u>\$12,043,861</u>	<u>\$18,317,347</u>	<u>\$1,093,188</u>	<u>\$31,454,396</u>	<u>\$29,190</u>

Construction in progress of the Water fund consists primarily of \$405,214 expended to install ground wells at the treatment plant and \$465,429 for installing water lines. Construction in progress of the Sewer fund consists primarily of \$150,628 for downtown sewer rehabilitation and \$235,747 for installation of sewer lines needed for development projects.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

10. GENERAL LONG TERM OBLIGATIONS AND NOTES PAYABLE

A summary of long-term obligations and notes payable for the year ended December 31, 1999, is as follows:

Fund Type/Account Group	Restated Balance 12/31/98	Additions	Deletions	Balance 12/31/99
General Long-term Obligations				
General Obligation Bonds	2,285,000	142,000	530,000	1,897,000
Notes Payable				
Fire Station	1,255,000	0	150,000	1,105,000
Downtown Streetscape Phase I	1,755,000	0	755,000	1,000,000
Downtown Streetscape Phase II	0	2,395,000	0	2,395,000
Total Notes Payable	3,010,000	2,395,000	905,000	4,500,000
Accrued Liabilities:				
Compensated absences	1,841,068	32,253	0	1,873,321
Past service pension obligation for police and firemen	353,758	0	4,177	349,581
Pension buyout obligation for PERS	320,991	25,719	0	346,710
Total Accrued Liabilities	2,515,817	57,972	4,177	2,569,612
Total General Long Term Obligations	7,810,817	2,594,972	1,439,177	8,966,612
Enterprise Fund Obligations				
Sewer Mortgage Revenue Bonds	4,310,000	0	210,000	4,100,000
Total Enterprise Fund Obligations	4,310,000	0	210,000	4,100,000
Total All Long Term Obligations	12,120,817	2,594,972	1,649,177	13,066,612

General Obligation Bonds: General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

10. GENERAL LONG TERM OBLIGATIONS AND NOTES PAYABLE (Continued)

Sewer Mortgage Revenue Bonds: In conjunction with the issuance of the Sewer Mortgage Revenue Bonds, the City entered into a trust agreement with a commercial bank. The trust agreement requires the City to hold restricted assets for cost of constructing and replacing property and equipment and repaying debt. Restricted assets relating to the Sewer Mortgage Revenue Bonds consisted of the following at December 31, 1999:

Restricted assets held by the City:	
Replacement and Improvement Fund	<u>\$480,000</u>
Total held by the City	480,000
Restricted assets held by the trustee:	
Bond Reserve Fund	461,015
Bond Principal/Interest Fund	<u>38,418</u>
Total held by the Trustee	499,433
Accrued Interest Receivable on investments held by the Trustee	
	<u>3,159</u>
Total Restricted Assets	\$982,592

In addition, the Indentures of Mortgage for the Sewer Fund require the City to pledge net revenues (defined in the agreement as revenues less operating and maintenance expenses) and restricted assets of the Sewer Fund for the payment of principal and interest on the bonds when due. Additionally, the Indenture of Mortgage for the Sewer Fund requires the City to pledge fixed assets of the Sewer Fund as collateral for the payment of principal and interest. Pursuant to these pledges, substantially all retained earnings of the Sewer Fund are restricted.

The Indentures of Mortgage for the Sewer Fund require the City to charge rates for utility service which would produce net income (as defined by the agreement) sufficient to service the Sewer Mortgage Revenue Bond. In the opinion of management, the City has complied with all Revenue Bond covenants.

Compensated Absences: Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

10. GENERAL LONG TERM OBLIGATIONS AND NOTES PAYABLE (Continued)

Future Debt Service Requirements: The principal and interest requirements to retire long-term debt obligations outstanding at December 31, 1999 are:

Year	General Long-Term Obligations	Enterprise Fund Obligations
2000	\$667,810	\$461,015
2001	669,040	459,540
2002	668,053	457,320
2003	19,095	459,335
2004	19,348	460,295
2005 - 2012	92,915	3,677,530
	\$2,136,261	\$5,975,035

The Ohio Revised Code (ORC) provides that the net general obligation debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 1999, the City's total net debt and unvoted net debt were approximately 2.7% of the total assessed value of all property within the City.

As of December 31, 1999, the City had no debt approved by the voters or Council which had not been issued.

The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with Delaware County and the Delaware City School District. As of December 31, 1999, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

In prior years, the City defeased certain sewer revenue bonds by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 1999, \$1,710,000 of bonds outstanding are considered defeased.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

11. CONTRIBUTED CAPITAL

Fixed assets acquired from grants, donations, and/or entitlements are recorded as contributed capital. A summary of the changes in the contributed capital follows:

Fund	Balance 12/31/98	Additions	Deletions	Balance 12/31/99
Water	\$3,746,220	\$614,531	\$80,782	\$4,279,969
Sewer	9,832,645	1,080,909	434,489	10,479,065
Other Enterprise	154,757	50,527	21,021	184,263
Total	\$13,733,622	\$1,745,967	\$536,292	\$14,943,297

12. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City of Delaware contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. The City pays the employee share for all PERS employees. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to PERS, including employee and employer amount paid by the City, for the years ended December 31, 1999, 1998, and 1997 were \$1,239,552, \$1,181,482, and \$1,096,839, respectively. The full amount has been contributed for 1999, 1998, and 1997.

B. Police and Firemen's Disability and Pension Fund

The City of Delaware contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple-employer defined benefit pension plan. The fund 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. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. Police and Firemen's Disability and Pension Fund (Continued)

Police and Firefighter's are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 13 percent for police and 17.5 percent for firefighters. The City pays the entire 10% employee share for all police and firefighters. The City pays 8.5% of the 10% required employee contribution for police and fire management. Contributions are authorized by State statute. The City's contributions to the Fund, including employee and employer amounts paid by the City, for the years ended December 31, 1999, 1998, and 1997 were \$1,021,157, \$956,639, and \$883,847, respectively. The full amount has been contributed for 1999, 1998, and 1997.

In addition to the current contribution, the City pays semiannual installments to the Fund for its portion of past service costs determined at the time the Fund was established. All payments to date have been budgeted and paid from the General Fund. Payment from the General Fund is financed through an operating transfer from the Special Revenue Fund. The Special Revenue Fund receives property tax revenues equal to .6 mills, which are designated for the payment of pension liabilities. The unpaid balance of \$349,581 is included in the General Long-Term Obligations Account Group and is to be amortized through 2035.

13. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement Systems (PERS)

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not he is attending school or under twenty-two if attending school full-time or on a 2/3 basis.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

13. POSTEMPLOYMENT BENEFITS (Continued)

B. Police and Firemen's Disability and Pension Fund (Continued)

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

The number of participants to receive health care benefits as of December 31, 1998, (the latest information available) was 11,424 for Police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$113,663 for police and \$111,753 for firefighters. The Fund's total health care expenses for the year ending December 31, 1998, were \$78,596,790.

14. OTHER EMPLOYEE BENEFITS

Early Retirement: City employees covered under PERS may elect to take an early retirement either four or five years before regular retirement age. The early retirement option is available until the year 2000. At the time of early retirement, the City agrees to buyout the pension costs for the period remaining until regular retirement. PERS allows the City to pay the buyout amount in either a lump-sum payment or to make equal annual payments over the period. The City has elected to spread the buyout costs over the period. As of December 31, 1999, \$346,710 of the buyout liability is included in the General Long Term Obligations Account Group and \$148,075 is included in accrued liabilities for the Enterprise Funds.

15. SELF INSURANCE

The City provides medical and dental coverage for its employees and is self-insured up to a stop loss limit for the cost of providing this coverage. Under the self-insurance program, the Self-Insurance Fund (an internal service fund) provides coverage for up to a maximum of \$35,000 in any one year for each employee. The City purchases commercial insurance for claims in excess of coverage provided by the Self-Insurance Fund.

All funds of the City participate in the program and make payments to the Self-Insurance Fund based on a per-employee charge. These monies are recorded as a charge for service in the Self-Insurance Fund and as an expenditure or expense, as applicable, in the disbursing fund.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

15. SELF INSURANCE (Continued)

The following is a summary of payments made to the Self-Insurance Fund by type:

Type/Fund	Amount
Employer Contributions:	
General	\$810,204
Special Revenue	150,696
Enterprise	
Water	99,432
Sewer	91,554
Other Enterprise	56,858
Total Enterprise	247,844
Internal Service	13,980
Total Employer Contributions	1,222,724
Employee contributions	55,661
Cobra contributions	589
Total Payments to Self-Insurance Fund	1,278,974

The claims liability is accrued if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in claims liability in 1998 and 1999 were:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
1998	\$129,860	\$1,142,434	(\$1,120,816)	\$151,478
1999	151,748	1,764,358	(1,542,570)	373,536

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

16. SEGMENT INFORMATION - ENTERPRISE FUNDS

Financial segment information as of and for year ended December 31, 1999 for the Enterprise Funds is presented as follows:

Description	Water	Sewer	Refuse	Golf Course	Parking Lots	Total
Operating Revenue	3,792,399	2,935,148	1,435,349	180,223	28,728	8,371,847
Operating Expenses						
Depreciation	455,658	783,443	82,683	12,063	2,874	1,336,721
Other	1,675,855	1,538,810	978,900	121,731	23,817	4,339,113
Operating Income (Loss)	1,660,886	612,895	373,766	46,429	2,037	2,696,013
Operating Transfers	(437,361)	(384,551)	(169,000)	0	0	(990,912)
Net Income (Loss)	1,208,451	512,845	174,246	45,681	2,037	1,943,260
Capital Contributions	695,313	1,515,398	0	0	0	2,210,711
Fixed Asset Additions	1,378,056	2,227,457	423,588	21,403	0	4,050,504
Net Working Capital	6,273,908	3,808,035	503,133	126,706	18,018	10,729,800
Total Assets	18,917,775	23,167,761	1,370,488	291,222	230,331	43,977,577
Long Term Debt	0	4,099,970	0	0	0	4,099,970
Total Equity	18,296,014	18,657,144	862,117	280,066	229,900	38,325,241

17. CONTINGENT LIABILITIES

The City is a party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**CITY OF DELAWARE
DELAWARE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

18. SUBSEQUENT EVENTS

On August 31, 2000, the City issued \$182,000 in bonds for the Downtown Streetscape Project.

**CITY OF DELAWARE
DELAWARE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>			
<u>Federal Aviation Administration</u>			
Airport Improvement Program	AIP-3-39-0032-07/08/09	20.106	\$388,773
<u>U.S. Department of Justice</u>			
Community Oriented Policing Services More Grant	96-CM-WX-0777	16.726	41,450
Local Law Enforcement Block Grant	97/98-LB-VX-3305	16.592	6,291
Total Department of Justice			47,741
<u>U.S. Department of Housing and Urban Development</u>			
Home Investment Partnership Program	AC-98-112-2	14.239	60,118
<i>Passed through Ohio Department of Development</i>			
Community Housing Improvement Program	AC-98-112-1	14.218	90,354
Community Development Block Grant	AF-98-112-1 AT-97-112-1 AE-98-112-1	14.228	564,367
Total Department of Housing and Urban Development			714,839
Total Federal Awards Expenditures			\$1,151,353

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Members of Council
City of Delaware
Delaware County
1 South Sandusky Street
Delaware, Ohio 43015

We have audited the general purpose financial statements of the City of Delaware, Delaware County, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated October 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated October 24, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 24, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

October 24, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of Council
City of Delaware
Delaware County
1 South Sandusky Street
Delaware, Ohio 43015

Compliance

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

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

As described in items 1999-20621-001 and 1999-20621-002 in the accompanying schedule of findings, the City did not comply with requirements regarding Reporting, Procurement and Cash Management that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program. In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the City in a separate letter dated October 24, 2000.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings as items 1999-20621-001 and 1999-20621-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the City in a separate letter dated October 24, 2000.

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



JIM PETRO
Auditor of State

October 24, 2000

**CITY OF DELAWARE
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Airport Improvement Program - CFDA #20.106 Community Development Block Grant - CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

**CITY OF DELAWARE
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	1999-20621-001
CFDA Title and Number	Airport Improvement Program, CFDA #20.106
Federal Award Number / Year	AIP-3-39-0032/7-8-09
Pass - Through Agency	N/A

Federal Compliance Requirement - Reporting and Procurement

Circular A-110 Section .22(b) states that cash advances to recipient organizations shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirement of the recipient organization in carrying out the purpose of the approved program or project.

The City requested reimbursements from the Federal Aviation Administration that were maintained for a period longer than the 3 to 5 days recommended by the Federal Aviation Administration. Six reimbursement requests exceeded the time period.

The lack of timely expenditure of funds after receiving grant funds is a violation of the grant agreement and could result in a denial of reimbursement requests or loss of grant funding.

We recommend the City only request cash advances in accordance with the actual, immediate cash requirements needed for completion of the approved program or project.

Finding Number	1999-20621-002
CFDA Title and Number	Community Development Block Grant, CFDA #14.228 Airport Improvement Program, CFDA #20.106
Federal Award Number / Year	AF -98-112-1 & AT- 97-112-1 AIP-3-39-0032/7-8-09
Pass - Through Agency	Ohio Department of Development N/A

Federal Compliance Requirement - Cash Management

Ohio Rev. Code Section 5705.09 (F) states that a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose, shall be established. Circular A-133 Subpart C §___. 300(a) states that the auditee shall identify, in its accounts, all Federal awards received and expended.

The City did not classify all federal awards received and expended for a particular purpose into a separate special fund or cost center. Federal awards were commingled with other revenues.

The lack of segregation of federal funds may lead to improper expenditures, improperly posted receipts, unidentified grant activity, or reports incorrectly submitted to the federal grantor agencies.

We recommend the City receipt and expend all federal awards received for a particular purpose into a separate fund or cost center for each federal grant and award year.

**CITY OF DELAWARE
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTION ACTION PLAN
OMB CIRCULAR A -133 § .315 (b) (c)
DECEMBER 31, 1999**

1. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Circular A-110 Section .22(b) - This finding has been repeated again in this audit report. Corrective action has not been taken by the City.

2. CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-20621-001	The City has established new procedures to more closely monitor reimbursement requests. All requests will now be held until it is confirmed that all invoices included in the request have been paid.	Immediately	Finance Director and/or Airport Manager
1999-20621-002	The City is establishing new procedures for tracking project and grant expenditures when separate funds are not used. The City will also establish new funds and/or special cost centers for any new grants received.	Immediately	Finance Director



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CITY OF DELAWARE

DELAWARE 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
NOVEMBER 14, 2000