

***CITY OF DELPHOS
ALLEN COUNTY, OHIO***

Audit Report

For the Year Ended December 31, 2001

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

The Honorable Mayor and Members of City Council
City of Delphos
Delphos, Ohio

We have reviewed the Independent Auditor's Report of the City of Delphos, Allen County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2001 through December 31, 2001. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 7, 2003

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CITY OF DELPHOS, OHIO
Audit Report
For the Year Ended December 31, 2001

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members of City Council
City of Delphos
Delphos, Ohio

We have audited the accompanying general purpose financial statements of the City of Delphos (the City), as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2001 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the financial statements, the City adopted Governmental Accounting and Standards Board Statement Nos. 33 and 36 for the year ended December 31, 2001.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 24, 2003 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.

Charles E. Harris & Associates, Inc.
July 24, 2003

City of Delphos, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
As of December 31, 2001

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-term Obligations</u>	
<u>Assets and Other Debits</u>									
<u>Assets</u>									
Equity in Pooled Cash	\$ 210,822	\$ 101,828	\$ 381,349	\$ 1,471,407	\$ 64,044	\$ 157,079	-	-	\$ 2,386,529
Cash w/Fiscal Agent	-	-	-	-	20,000	-	-	-	20,000
Cash in Segregated Account	-	-	-	-	-	420	-	-	420
Investments	400,000	100,000	-	-	-	-	-	-	500,000
Receivables									
Taxes	586,343	48,956	-	-	-	98,891	-	-	734,190
Accounts	109,800	-	-	683,910	-	-	-	-	793,710
Accrued Interest	7,036	247	-	1,019	-	-	-	-	8,302
Intergovernmental	46,708	79,854	-	-	-	-	-	-	126,562
Due from Other Funds	320	-	-	-	-	-	-	-	320
Advances to Other Funds	270,000	-	-	-	-	-	-	-	270,000
Prepaid Items	16,928	1,713	-	18,149	-	172	-	-	36,962
Supplies Inventory	1,544	3,765	-	5,948	-	-	-	-	11,257
Fixed Assets (Net Where Applicable of Accumulated Depreciation)	-	-	-	10,545,847	-	-	\$ 1,798,330	-	12,344,177
<u>Other Debits</u>									
Amount to be provided for Retirement of General Long Term Obligations	-	-	-	-	-	-	-	\$ 234,965	234,965
Total Assets	1,649,501	336,363	381,349	12,726,280	84,044	256,562	1,798,330	234,965	17,467,394

See Notes to the General Purpose Financial Statements

City of Delphos, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
As of December 31, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Memorandum Only
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	
Liabilities									
Accounts Payable	\$ 33,166	\$ 4,224	\$ 56,676	\$ 149,552	-	\$ 921	-	-	\$ 244,539
Accrued Wages	31,799	2,320	-	13,068	-	707	-	-	47,894
Accrued Interest Payable	-	-	-	12,341	-	-	-	-	12,341
Intergovernmental Payable	5,675	593	-	2,195	-	132	-	-	8,595
Due to Other Funds	-	-	-	-	-	320	-	-	320
Pension Obligation Payable	-	-	-	20,045	-	1,050	-	\$ 60,618	81,713
Compensated Absences Payable	7,270	366	-	102,752	-	-	-	174,347	284,735
Advances from Other Funds	-	-	270,000	-	-	-	-	-	270,000
Deferred Revenue	402,660	48,956	-	-	-	-	-	-	451,616
Undistributed Monies	-	-	-	-	-	26,443	-	-	26,443
OWDA Loan Payable	-	-	-	4,736,203	-	-	-	-	4,736,203
Revenue Bonds Payable	-	-	-	3,230,000	-	-	-	-	3,230,000
Claims Payable	-	-	-	-	\$ 37,241	-	-	-	37,241
OPWC Payable - Elev Tank	-	-	-	138,087	-	-	-	-	138,087
OPWC Payable - Standpipe	-	-	-	54,475	-	-	-	-	54,475
Total Liabilities	480,570	56,459	326,676	8,458,718	37,241	29,573	-	234,965	9,624,202
Fund Equity and Other Credits									
Contributed Capital	-	-	-	406,512	-	-	-	-	406,512
Investments in General Fixed Assets	-	-	-	-	-	-	\$ 1,798,330	-	1,798,330
Retained Earnings: Unreserved	-	-	-	3,861,050	46,803	-	-	-	3,907,853
Fund Balance									
Reserve for Encumbrances	250,269	75,709	145,219	-	-	-	-	-	471,197
Reserve for Inventory	1,544	3,765	-	-	-	-	-	-	5,309
Reserve for Prepaid Items	16,928	1,713	-	-	-	172	-	-	18,813
Reserve for Long Term Loan Unreserved	270,000	-	-	-	-	-	-	-	270,000
	630,190	198,717	(90,546)	-	-	226,817	-	-	965,178
Total Fund Equity and Other Credits	1,168,931	279,904	54,673	4,267,562	46,803	226,989	1,798,330	-	7,843,192
Total Liabilities, Fund Equity and Other Credits	\$1,649,501	\$336,363	\$381,349	\$12,726,280	\$84,044	\$256,562	\$1,798,330	\$234,965	\$17,467,394

See Notes to the General Purpose Financial Statements

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City of Delphos, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2001

	Governmental Fund Types			Fiduciary Fund Types	Total Memorandum Only
	General	Special Revenue	Capital Projects	Expendable Trust	
<u>Revenues</u>					
Taxes	\$ 1,804,468	\$ 44,204	-	\$ 691,705	\$ 2,540,377
Intergovernmental	426,601	228,099	\$ 450,155	-	1,104,855
Charges for Services	235,063	-	-	-	235,063
Fines, Licenses & Permits	53,319	5,156	-	-	58,475
Interest	129,493	28	-	-	129,521
Other	6,950	1,542	-	-	8,492
Total Revenues	2,655,894	279,029	450,155	691,705	4,076,783
<u>Expenditures</u>					
Security of Persons/Property	1,492,848	170,511	-	-	1,663,359
Public Health Services	28,507	-	-	-	28,507
Leisure Time Activities	463,780	-	-	-	463,780
Transportation	-	361,892	-	-	361,892
General Government	420,766	8,764	-	114,704	544,234
Capital Outlay	-	-	460,560	-	460,560
Total Expenditures	2,405,901	541,167	460,560	114,704	3,522,332
Excess of Revenues Over/ (Under) Expenditures	249,993	(262,138)	(10,405)	577,001	554,451
<u>Other Financing Sources (Uses)</u>					
Sale of Fixed Assets	-	-	15,218	-	15,218
Transfers In	-	216,000	17,429	-	233,429
Transfers Out	(233,428)	-	-	(470,000)	(703,428)
Total Other Financing Sources (Uses)	(233,428)	216,000	32,647	(470,000)	(454,781)
Excess of Revenues & Other Financing Sources Over/ (Under) Expenditures and Other Uses	16,565	(46,138)	22,242	107,001	99,670
Fund Balance January 1, 2001, As Restated - See Note 18	1,151,420	327,196	32,431	119,988	1,631,035
Increase/(Decrease) in Reserved for Inventory	946	(1,154)	-	-	(208)
Fund Balance December 31, 2001	\$ 1,168,931	\$ 279,904	\$ 54,673	\$ 226,989	\$ 1,730,497

City of Delphos, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budget Basis)
 All Governmental Fund Types and Similar Trust Fund
 For the Year Ended December 31, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>						
Taxes	\$ 1,329,353	\$ 1,754,996	\$ 425,643	\$ 51,048	\$ 38,806	\$ (12,242)
Intergovernmental	383,815	506,708	122,893	327,908	249,270	(78,638)
Charges for Services	172,252	227,405	55,153	-	-	-
Fines, Licenses & Permits	40,448	53,399	12,951	6,783	5,156	(1,627)
Interest	97,789	129,100	31,311	59	45	(14)
Other	5,264	6,950	1,686	2,028	1,542	(486)
Total Revenues	2,028,921	2,678,558	649,637	387,826	294,819	(93,007)
<u>Expenditures</u>						
Security of Persons/Property	1,485,994	1,490,395	(4,401)	414,100	170,511	243,589
Public Health Services	28,507	47,091	(18,584)	-	-	-
Leisure Time Activities	380,100	444,720	(64,620)	-	-	-
Transportation	-	-	-	431,533	380,374	51,159
General Government	465,507	422,525	42,982	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	2,360,108	2,404,731	(44,623)	845,633	550,885	294,748
Excess of Revenues Over/ (Under) Expenditures	(331,187)	273,827	605,014	(457,807)	(256,066)	201,741
<u>Other Financing Sources (Uses)</u>						
Advance In	-	-	-	-	-	-
Advance Out	(270,000)	(270,000)	-	-	-	-
Transfers In	-	-	-	216,000	216,000	-
Transfers Out	(233,428)	(233,428)	-	-	-	-
Total Other Financing Sources (Uses)	(503,428)	(503,428)	-	216,000	216,000	-
Excess of Revenues & Other Financing Sources Over/ (Under) Expenditures and Other Uses	(834,615)	(229,601)	605,014	(241,807)	(40,066)	201,741
Fund Balance (Deficit) at January 1	834,715	834,715	-	241,806	241,806	-
Prior Year Encumbrance Appropriated	5,900	5,900	-	89	89	-
Fund Balance (Deficit) at End of Year	6,000	611,014	605,014	88	201,829	201,741

Capital Projects			Income Tax Only Expendable Trust			Totals Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
-	-	-	\$ 925,537	\$ 686,920	\$ (238,617)	\$ 2,305,938	\$ 2,480,722	\$ 174,784
\$ 438,179	\$ 450,155	\$ 11,976	-	-	-	1,149,902	1,206,133	56,231
-	-	-	-	-	-	172,252	227,405	55,153
-	-	-	-	-	-	47,231	58,555	11,324
-	-	-	-	-	-	97,848	129,145	31,297
-	-	-	-	-	-	7,292	8,492	1,200
438,179	450,155	11,976	925,537	686,920	(238,617)	3,780,463	4,110,452	329,989
-	-	-	-	-	-	1,900,094	1,660,906	239,188
-	-	-	-	-	-	28,507	47,091	(18,584)
-	-	-	-	-	-	380,100	444,720	(64,620)
-	-	-	-	-	-	431,533	380,374	51,159
-	-	-	482,900	113,779	369,121	948,407	536,304	412,103
767,300	462,184	305,116	-	-	-	767,300	462,184	305,116
767,300	462,184	305,116	482,900	113,779	369,121	4,455,941	3,531,579	924,362
(329,121)	(12,029)	317,092	442,637	573,141	130,504	(675,478)	578,873	1,254,351
270,000	270,000	-	-	-	-	270,000	270,000	-
-	-	-	-	-	-	(270,000)	(270,000)	-
17,428	17,428	-	-	-	-	233,428	233,428	-
-	-	-	(470,000)	(470,000)	-	(703,428)	(703,428)	-
287,428	287,428	-	(470,000)	(470,000)	-	(470,000)	(470,000)	-
(41,693)	275,399	317,092	(27,363)	103,141	130,504	(1,145,478)	108,873	1,254,351
105,949	105,949	-	27,362	27,362	-	1,209,832	1,209,832	-
-	-	-	163	163	-	6,152	6,152	-
64,256	381,348	317,092	162	130,666	130,504	70,506	1,324,857	1,254,351

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City of Delphos, Ohio
Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 2001

	Enterprise	Internal Service	Total - Memorandum Only
<u>Operating Revenues</u>			
Charges for Services	\$ 2,562,169	\$ 308,351	\$ 2,870,520
<u>Operating Expenses:</u>			
Personal Services	\$ 760,593	-	\$ 760,593
Travel/Transportation	3,344	-	3,344
Contractual Services	922,679	\$ 4,860	927,539
Materials and Supplies	312,822	-	312,822
Claims Expense	-	268,164	268,164
Depreciation	457,272	-	457,272
Total Operating Expenses	<u>2,456,710</u>	<u>273,024</u>	<u>2,729,734</u>
Operating Income (Loss)	105,459	35,327	140,786
<u>Non-Operating Revenues (Expenses):</u>			
Interest Revenue	15,416	-	15,416
Debt Service/Interest and Fiscal Charges	(447,833)	-	(447,833)
Loss on Disposal of Fixed Assets	(1,081)	-	(1,081)
Total Non-Operating Revenues (Expenses)	<u>(433,498)</u>	<u>-</u>	<u>(433,498)</u>
Income (Loss) before operating transfer:	(328,039)	35,327	(292,712)
Operating transfers-in	<u>470,000</u>	<u>-</u>	<u>470,000</u>
Total Transfers	<u>470,000</u>	<u>-</u>	<u>470,000</u>
Net Income (Loss)	141,961	35,327	177,288
Retained Earnings at Beginning As Restated - See Note 18	3,698,137	11,476	3,709,613
Depreciation on Assets Acquired by Contributed Capital	<u>20,952</u>	<u>-</u>	<u>20,952</u>
Retained Earnings at End of Year	3,861,050	46,803	3,907,853
Contributed Capital at Beginning of Year	427,464	-	427,464
Depreciation on Assets Acquired by Contributed Capital	<u>(20,952)</u>	<u>-</u>	<u>(20,952)</u>
Contributed Capital at End of Year	<u>406,512</u>	<u>-</u>	<u>406,512</u>
Total Fund Equity at End of Year	<u>\$ 4,267,562</u>	<u>\$ 46,803</u>	<u>\$ 4,314,365</u>

City of Delphos, Ohio
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budget Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2001

	Enterprise		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Charges for Services	\$ 3,001,319	\$ 2,574,910	\$ (426,409)
Interest	19,930	17,116	(2,814)
Other	204	2,817	2,613
Total Revenues	3,021,453	2,594,843	(426,610)
<u>Expenditures</u>			
Personal Services	1,188,478	740,070	448,408
Travel/Transportation	5,370	3,344	2,026
Contractual Services	1,385,332	936,093	449,239
Supplies and Materials	427,037	308,718	118,319
Claims Expense	-	-	-
Capital Outlay	484,395	185,394	299,001
Debt Service:			
Principal Retirement	751,744	468,114	283,630
Interest/Fiscal Charges	695,709	433,221	262,488
Total Expenditures	4,938,065	3,074,954	1,863,111
Excess of Revenues Over/ (Under) Expenditures	(1,916,612)	(480,111)	1,436,501
<u>Other Financing Sources (Uses)</u>			
Transfers In	470,000	470,000	-
Total Other Sources (Uses)	470,000	470,000	-
Excess of Revenues & Other Financing Sources Over/ (Under) Expenditures and Other Uses	(1,446,612)	(10,111)	1,436,501
Fund Balances (Deficit) at Beginning of Year	1,446,716	1,446,716	-
Prior Year Encumbrances Appropriated	34,804	34,804	-
Fund Balance (Deficit) at End of Year	\$ 34,908	\$ 1,471,409	\$ 1,436,501

Internal Service Fund			Total Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 260,428	\$ 308,351	47,923	\$ 3,261,747	\$ 2,883,261	\$ (378,486)
-	-	-	19,930	17,116	(2,814)
-	-	-	204	2,817	2,613
260,428	308,351	47,923	3,281,881	2,903,194	(378,687)
-	-	-	1,188,478	740,070	448,408
-	-	-	5,370	3,344	2,026
5,148	4,860	288	1,390,480	940,953	449,527
-	-	-	427,037	308,718	118,319
283,252	267,419	15,833	283,252	267,419	15,833
-	-	-	484,395	185,394	299,001
-	-	-	751,744	468,114	283,630
-	-	-	695,709	433,221	262,488
288,400	272,279	16,121	5,226,465	3,347,233	1,879,232
(27,972)	36,072	64,044	(1,944,584)	(444,039)	1,500,545
-	-	-	470,000	470,000	-
-	-	-	470,000	470,000	-
(27,972)	36,072	64,044	(1,474,584)	25,961	1,500,545
27,972	27,972	-	1,474,688	1,474,688	-
-	-	-	34,804	34,804	-
\$ -	\$ 64,044	\$ 64,044	\$ 34,908	\$ 1,535,453	\$ 1,500,545

City of Delphos, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2001

	Enterprise	Internal Service	Total (Memorandum Only)
Increase(Decrease) in Cash & Cash Equivalents			
Cash flows from operating activities			
Cash received from customers	\$ 2,574,910	-	\$ 2,574,910
Cash received from quasi-external transactions with other funds	-	\$ 308,351	308,351
Cash payments to suppliers & employees	(1,988,225)	(4,860)	(1,993,085)
Other non-operating revenue	2,817	-	2,817
Claims	-	(267,419)	(267,419)
	589,502	36,072	625,574
Net cash provided by (used for) operating activities			
Cash flows from non-capital financing activities			
Transfer in (out)	470,000	-	470,000
Cash flows from capital and related financing activities			
Acquisition and Construction of Capital Assets	(185,394)	-	(185,394)
Principal Paid on OWDA Loans	(325,271)	-	(325,271)
Principal Paid on OPWC Loans	(12,843)	-	(12,843)
Principal Paid on Water Improvement Bond	(130,000)	-	(130,000)
Interest Paid	(433,221)	-	(433,221)
	(1,086,729)	-	(1,086,729)
Net cash provided by (used for) capital and related financing activities			
Cash flow from investing activities			
Interest Received	17,116	-	17,116
	(10,111)	36,072	25,961
Net Increase (Decrease) in Cash & Cash Equivalents			
Cash & Cash Equivalents - Beginning of Year	1,481,518	47,972	1,529,490
Cash & Cash Equivalents - End of Year	\$ 1,471,407	\$ 84,044	\$ 1,555,451

City of Delphos, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2001

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating Income (Loss)	\$ 105,459	\$ 35,327	\$ 140,786
Adjustments to Reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	457,272	-	457,272
Change in assets and liabilities:			
(Increase)Decrease in Accounts Receivable	10,458	-	10,458
(Increase)Decrease in Inventory	4,472	-	4,472
(Increase)Decrease in Prepaid Items	259	-	259
Increase (Decrease) in Accounts Payable	58,612	-	58,612
Increase (Decrease) in Contracts Payable	(67,944)	-	(67,944)
Increase (Decrease) in Accrued Wages	3,814	-	3,814
Increase (Decrease) in Intergovernmental Payable	(18,322)	-	(18,322)
Increase (Decrease) in Compensated Absences	15,377	-	15,377
Increase (Decrease) in Pension Obligation Payable	20,045	-	20,045
Increase (Decrease) in Claims Payable	-	745	745
Total Adjustments	<u>484,043</u>	<u>745</u>	<u>484,788</u>
Net Cash Provided by (used for) operating activities	<u>\$ 589,502</u>	<u>\$ 36,072</u>	<u>\$ 505,667</u>

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 1 - Description of the City and Reporting Entity

The City of Delphos (the "City") is a home rule municipal corporation, established and operated 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.

Reporting Entity

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Delphos, this includes police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, water system, sewer system, and a staff to provide support to these service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures. All are responsible to the citizens of Delphos and are included as part of 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 the deficits of, or provide financial support to, 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. The City has no component units.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 (FASB) Statements issued on or before November 30, 1989, to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. 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 Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

General Fund - This fund is the operating fund of the City and 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 an ordinance of the City and/or the general laws of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - These 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).

Proprietary Fund Types. Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

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

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Internal Service Fund - This fund is used to account 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 Fund Types. These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental, and/or other funds.

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

General Fixed Assets Account Group - This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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.

The proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund 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.

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

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

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues accrued at the end of the year included investment earnings, state levied-shared revenues, municipal income taxes withheld by employers, fines and forfeitures, and reimbursements due from state or federally funded projects for which corresponding expenditures have been made.

Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the period in which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 2001, and delinquent property taxes whose availability is indeterminate and which are intended to finance current period obligations, have been recorded as a deferred revenue.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period earned and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year-end.

C. Budgetary Process

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 appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Estimated Resources. Prior to October 1, the City accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about January 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during the year 2001.

Appropriations. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. 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. The appropriation ordinance fixes spending authority at the fund level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations between funds may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Budgeted Level of Expenditure/Expense. Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made by fund levels. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within Council's original appropriated amount.

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

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

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

D. 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.

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 the various funds based upon applicable legal and administrative requirements. See Note 5, "Deposits and Investments."

Interest allocation is determined by the Ohio Constitution, State statutes, debt indentures and local ordinances. Under these provisions, City funds required to, but which do not necessarily, receive interest allocations are the General Fund, Street Fund, State Highway Fund, Permissive License Tax Fund and Water Fund. Interest revenue earned during 2001 amount to \$144,937.

E. Interfund Assets and Liabilities

Short-term interfund loans are classified as interfund receivables/payables on the accompanying balance sheet. Long-term loans are classified as advances to/from other funds with a corresponding reservation of fund balance for the funds loaning the money.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

F. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. The reserve for inventory within the governmental funds indicates that a portion of the fund balance is not available for future expenditures. At December 31, 2001, the general, street, water, and sewer funds maintained inventories.

G. Prepaid Assets.

Payments made to vendors for services that will benefit periods beyond December 31, 2001 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

The fixed asset values were initially determined at December 31, 1990, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

The City has a capitalization threshold of \$5,000 for the recording of Fixed Assets.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the fund used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. The City has elected to report the General Fixed Assets Account Group net of depreciation in accordance with generally accepted accounting principles for governmental entities. The assets of the enterprise funds are depreciated on the following basis:

Buildings	20 Years
Equipment	2-10 Years
Vehicles	5-10 Years
Improvements	15 Years

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

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

Proprietary Fund Fixed Assets

Fixed assets associated with the enterprise fund activities are accounted for in that fund. Depreciation is calculated using the straight line method over the assets' estimated useful lives. The assets of the enterprise funds are depreciated on the following basis:

Buildings	20 Years
Water and Sewer Lines	50 Years
Equipment	2-10 Years
Vehicles	5-10 Years
Improvements	15 Years

I. Contributed Capital

Contributed capital represents contributions to one City fund by another City fund. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. These assets are recorded as contributed capital in the accompanying combined financial statements. Because the City did not prepare financial statements in accordance with Generally Accepted Accounting Principals prior to 1991 the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in accompanying general purpose financial statements. All other fund equity amounts pertaining to the Proprietary Funds have been classified as retained earnings.

J. Compensated Absences

The City reports 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 attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the Termination Payment Method. The liability is calculated by collecting data from employees who have terminated employment with the City in the last 5 years. A sick leave determination cost by fund is calculated from the total dollar amount of sick leave termination payments divided by the total number of years these terminated employees worked. This sick leave cost is then applied to the number of years all active employees have worked.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

For governmental funds, 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 remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Reserves of Fund Equity

Reserves of fund equity indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Governmental fund balances are reserved for encumbrances, inventory of supplies, prepaid expenses, and long-term interfund loans.

L. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Accrued and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year end are considered not to have been made with current available financial resources.

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

Under Ohio law, a debt retirement fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and Enterprise Funds, and the general long term obligations account group, with principal and interest payments on matured general long-term obligation long term debt are reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

N. Total Columns on General Purpose Financial Statements

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

O. Intergovernmental Revenues

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

P. Estimates

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

Note 3 - Budgetary Basis of Accounting

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budget Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types 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. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 3 - Budgetary Basis of Accounting (continued)

4. For proprietary funds, proceeds from and principal payment on bonds are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. For the proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Uses
All Governmental Fund Types and Similar Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	16,565	(46,138)	22,242	107,001
Adjustments:				
Revenue Accruals	(22,664)	(15,790)	(254,781)	(4,785)
Expenditure Accruals	26,767	97,571	362,719	(8,645)
Encumbrances Against Current Year Appropriations	<u>(250,269)</u>	<u>(75,709)</u>	<u>145,219</u>	<u>0</u>
Budget Basis	<u>(229,601)</u>	<u>(40,066)</u>	<u>275,399</u>	<u>103,141</u>

Net Income (Loss)/Excess of Revenues Over (Under)
Expenses and Operating Transfers
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	141,961	35,327
Adjustments:		
Revenue Accruals	32,849	0
Expenditure Accruals	(447,743)	20,745
Acquisition of Fixed Assets	290,659	0
Depreciation	457,272	0
Principal Retirement	(468,114)	0
Cash to Fiscal Agent	<u>0</u>	<u>(20,000)</u>
Budget Basis	<u>(10,111)</u>	<u>36,072</u>

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 4 - Accountability and Compliance

The following funds had total expenditures plus encumbrances in excess of appropriations at the legal level of control contrary to Section 5705.41 (B), Ohio Revised Code:

General Fund

Special Revenue Fund:

SCM&R

Capital Projects Fund:

Ed Grant Application

Reservoir Feasibility Study

Water Source

Downtown Lighting

Issue I Restroom

Note 5 - Deposits and Investments

The City Treasurer and Treasury Investment Board are responsible for selecting depositories and investing funds.

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 5 - Deposits and Investments (continued)

Interim monies may be 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 or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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 subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations to the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivations are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 5 - Deposits and Investments (continued)

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

A. Deposits

At year end December 31, 2001, the City had \$292 in undeposited cash on hand which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

At year-end, the carrying amount of the City's deposits was \$2,906,657 and the bank balance was \$2,925,237. \$100,000 of the bank balance was covered by federal depository insurance. \$2,825,237 was uninsured and uncollateralized. Although the securities were held by the pledging financial institution's trust department or agent in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

B. Investments

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 2,406,949	\$ 500,000
Cash on hand	(292)	
Certificates of deposit		
Over 90 days	<u>500,000</u>	<u>(500,000)</u>
GASB Statement 3	\$ <u>2,906,657</u>	<u>\$ -</u>

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 6 - Income Tax

The City levies an income tax of one and one half 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 \$2,055,301 in 2001. The income tax is to be divided 67% to the General Fund and 33% 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.

Note 7 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1995. Real property taxes are payable annually or semi annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before April 30 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30; with the remainder payable by September 20. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2001 was \$6.75 per \$1,000 of assessed valuation.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 7 - Property Taxes (continued)

The full tax rate applied to real property for both counties for the fiscal year ended December 31, 2001, was \$6.75 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.13 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$4.99 per \$1,000 of assessed valuation for all other real property. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

	<u>Allen County</u>	<u>Van Wert County</u>
Real Estate Tax		
Residential/Agricultural	30,079,950	20,584,280
Commercial/Industrial	13,778,230	2,957,260
Tangible Personal Property Tax		
General	13,709,200	3,840,590
Public Utilities	<u>1,957,890</u>	<u>1,357,140</u>
Total	<u>\$59,525,270</u>	<u>\$28,739,270</u>

Note 8 - Receivables

Receivables at December 31, 2001, consisted of taxes, charges for services, utility accounts and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are deemed collectible in full.

A summary of the principal items of receivables follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>Enterprise</u>	<u>Total</u>
City Income Tax	\$200,779	\$0	\$98,891	\$0	\$299,670
Property Tax	385,564	48,956	0	0	453,840
EMS Services	92,704	0	0	0	92,704
Cable Franchise	17,096	0	0	0	17,096
Estate Tax	6,520	0	0	0	6,520
Fines	320	0	0	0	320
Vehicle Tax	0	3,976	0	0	3,976
Gas Tax	40,188	75,878	0	0	96,746
Accrued Interest	7,036	247	0	1,019	8,302
Water Billings	0	0	0	247,894	247,894
Sewer Billings	0	0	0	354,825	354,825
Garbage Billings	0	0	0	81,191	81,191
Total	<u>\$750,207</u>	<u>\$129,057</u>	<u>\$98,891</u>	<u>\$684,929</u>	<u>\$1,663,084</u>
	=====	=====	=====	=====	=====

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 9 - Fixed Assets

A. General Fixed Assets

The changes in general fixed assets during 2001 were as follows:

	Restated Balance January 1, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2001</u>
Land	\$398,899	\$0	\$0	\$398,899
Buildings	1,020,103	0	0	1,020,103
Improvements	721,222	61,799	0	783,021
Equipment	321,188	97,723	0	418,911
Vehicles	<u>1,249,315</u>	<u>80,910</u>	<u>(35,632)</u>	<u>1,294,593</u>
Total	3,710,727	240,432	(35,632)	3,915,527
Accumulated Depreciation	<u>(1,913,478)</u>	<u>(223,715)</u>	<u>19,996</u>	<u>(2,117,197)</u>
Net General Fixed Assets	<u>\$1,797,249</u>	<u>\$16,717</u>	<u>(\$15,636)</u>	<u>\$1,798,330</u>

All fund fixed assets relate to the water, sewer and garbage enterprise funds. The balances as of December 31, 2001 for the enterprise funds were as follows:

	Amounts
Land	\$358,257
Building	116,340
Machinery and Equipment	795,040
Vehicles	563,773
Infrastructure	<u>21,861,018</u>
Total	23,694,428
Less: Accumulated Depreciation	<u>(13,148,581)</u>
Net Fixed Assets	<u>\$10,545,847</u>

Depreciation is provided using the straight-line method over the estimated life of the assets.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 10 - 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; injuries to employees; and natural disasters.

A. Self Insurance Program

The City established a medical self-insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the medical self-insurance fund provides coverage for up to a maximum of \$22,500 for each individual, with a \$1,000,000 aggregate over the employee's life. The City purchased commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Excess costs are paid by stop-loss insurance coverage. The City does not anticipate to be responsible for any costs that exceed the stop-loss insurance coverage. Settlement claims have not exceeded coverage in the aggregate for the past three years.

All funds of the City participate in the program and make payments to the medical self-insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. This plan provides a medical plan with a \$200 single and a \$400 family deductible for all employees. The City utilizes a third party administrator, MCA Administrators to review all claims which are then paid by the City. The cost to the City for the third party administrator is \$23.65 per employee per month. The City purchases stop-loss coverage at a cost of \$43.49 for single, \$105.28 for family per month. The liability for unpaid claims costs reported in the fund at December 31, 2001 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that 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. Term life insurance is provided to all full-time employees in the amount of \$10,000.

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$36,496	\$268,164	\$267,419	\$37,241
2000	\$43,259	\$246,996	\$253,759	\$36,496

B. Other Insurance Coverage

During 2001 the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amounts</u>	<u>Deductible</u>
Hartford Penco	Law Enforcement	\$1,000,000	\$5,000
Hartford Penco	Public Officials	\$1,000,000	\$10,000
Penco MidWest	Faithful Performance	Not available	\$500
P&C of Hartford	Vehicle Insurance	\$500,000	\$1000/\$250
Erie Insurance Company	Auditor Bond	\$90,000	None
Erie Insurance Company	Deputy Auditor Bond	\$90,000	None
United States Fidelity and Guaranty Company	Treasurer Bond	\$100,000	None
Erie Insurance Company	Income Tax Adm. Bond	\$90,000	None
Penco Midwest	General Liability	\$2,000,000	\$1,000

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 10 – Risk Management (continued)

The City pays the state Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last five years.

Note 11 - Defined Benefit Pension Plans

A. Public Employees Retirement System

The City of Delphos 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 benefits, disability, and survivor based on eligible service credit to 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.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$156,350, \$130,756, and \$145,543 respectively. The full amount has been contributed for 2000 and 1999. 80.7 percent has been contributed for 2001 with the remainder being reported as a liability within the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund (the "OP&F Fund")

The City of Delphos contributes to the Ohio Police and Fire Pension Fund (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement benefits and disability to qualified participants and survivor and death benefits to qualified spouses, children and dependent parents. Benefits are based on eligible service credit. Benefits are established by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 230 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24.0 percent for firefighters. Contributions are authorized by State statute. An actuary, however, is used to determine the actuarial implications of the statutory requirements. The City's contributions to the Fund for police and firefighters were \$165,250 for the year ended December 31, 2001, \$150,438 for 2000, and \$145,165 for 1999. The full amount has been contributed for 2000 and 1999. 72.2 percent has been contributed for 2001 with the remainder being reported as a liability within the general long-term obligations account group.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 11 - Defined Benefit Pension Plans (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State retirement system have an option to choose social security or the appropriate state system. As of December 31, 2001, six part-time firemen and several council members have elected social security. The City's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor 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 post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units the rate was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Summary of Assumptions:

Actuarial Review: The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000.

Funding Method. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care premiums were assumed to increase 4.75% annually.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 12 - Postemployment Benefits (continued)

OPEBs are advance-funded using the entry age normal cost method. The following disclosures are required:

1. The number of active contributing participants was 411,076.
2. The rates stated above are the actuarially determined contribution requirements for PERS. The portion of employer contributions that were used to fund postemployment benefits was \$49,610.
3. \$11,735.9 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000.
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund

OP&F provides post-retirement health care coverage to any person who received 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 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage of all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, issued to pay retiree health care expenses. The Board defined allocation was 7.50% in 2001. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2000, (the latest information available) was 12,853 for police and 10,037 for firefighters. The City's actual contributions for 2001 that were used to fund post-employment benefits were \$29,875 for police and \$21,179 for fire. The Fund's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of members contributions of \$5,657,431.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 13 - Other Employee Benefits

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with the written approval of the safety/ service Director. City employees are paid for all earned, unused vacation leave at the time of termination of employment. Vacation leave is recognized as a liability in the period in which it is earned. Employees in the Police Department under union representation earn sick leave at a rate of 4.16 hours for every 80 hours worked. All other employees earn sick leave at the rate of 3.08 hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit. The City records a liability for accumulated unused sick leave for eligible employees using the termination payment method.

An employee, after they have reached an accumulated balance of 1040 hours, may elect an option at year end to carry forward the balance or accept a 50% cash pay off option.

For 2001 unpaid compensated absences of \$7,270 at year end were reported as an accrued liability in the general fund. Unpaid compensated absences of \$366 at year end were reported as an accrued liability in the special revenue fund. The balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$174,347. Unpaid compensated absences of \$102,752 were reported as an accrued liability in the enterprise funds.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 14 - Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2001, was as follows:

	<u>Balance</u> <u>12/31/00</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/01</u>
<u>General Long Term Debt</u>				
<u>Account Group</u>				
Compensated Absences	\$165,232	\$9,115	\$0	\$174,347
Pension Obligation Payable	<u>60,827</u>	<u>60,618</u>	<u>60,827</u>	<u>60,618</u>
Total Long-Term Obligations	226,059	69,733	60,827	234,965
<u>Other Enterprise Fund Debt</u>				
<u>Ohio Public Works Comm.</u>				
Elevated Tank -0%	145,978	0	7,891	138,087
Ohio Water Development Authority - 9.27%	1,038,358	0	110,403	927,995
Ohio Water Development Authority - 4.35%	4,233,310	0	214,868	4,018,442
Ohio Public Works Comm. Standpipe - 0%	59,427	0	4,952	54,475
Bank One - 3.25%				
South Water Plant Improvement	<u>3,360,000</u>	<u>0</u>	<u>130,000</u>	<u>3,230,000</u>
Total Other Enterprise Fund Debt	<u>8,837,073</u>	<u>0</u>	<u>468,114</u>	<u>8,368,959</u>
Total All Fund Types	\$9,063,132 =====	69,733 =====	528,941 =====	\$8,603,924 =====

The Ohio Water Development Authority (O.W.D.A.) loans were for mandated wastewater construction and sewer improvement projects. Property and revenue of the facilities have been pledged to repay the debt.

The Ohio Public Works Commission (O.P.W.C.) 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. Revenue of the water system of the City will be used for the principal repayment.

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

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 14 - Long-Term Obligations (continued)

The Bank One bonds are for improvements to the south water plant. Revenue of the water system of the City will be used for principal retirement.

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 accounts assets and the liability for the defeased bonds are not included in the City's financial statements. The advance refunding resulted 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, 2001 the remaining balance to be amortized is \$210,234.

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, and maintenance, operation, insurance and condemnation of the project facilities.

Principal and interest requirements to retire to long term debt obligations outstanding at December 31, 2001 are as follows:

	<u>O.W.D.A</u> <u>LOAN (1)</u>	<u>O.W.D.A</u> <u>LOAN (2)</u>	<u>O.P.W.C</u> <u>LOAN</u>	<u>O.P.W.C</u> <u>ELE TANK</u>	<u>BANK ONE</u> <u>BOND</u>	<u>TOTAL</u>
2002	211,331	396,705	4,952	7,890	280,710	901,588
2003	211,331	396,705	4,952	7,890	275,580	896,458
2004	211,331	396,705	4,952	7,890	280,315	901,193
2005	211,331	396,705	4,952	7,890	279,588	900,466
2006-2010	422,663	1,983,527	24,762	39,450	1,394,610	3,865,012
2011-2015	0	1,785,175	9,905	39,450	1,393,505	3,228,035
2016-2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,628</u>	<u>846,294</u>	<u>873,922</u>
Total	<u>\$1,267,987</u>	<u>\$5,355,522</u>	<u>\$54,475</u>	<u>\$138,088</u>	<u>\$4,750,602</u>	<u>\$11,566,674</u>

Note 15 - Interfund Receivables/Payables

The following represents long-term loans from one fund to another.

<u>Fund</u>	<u>Advances to Other</u> <u>Funds</u>	<u>Advances from Other</u> <u>Funds</u>
General	\$270,000	-
Capital Projects	-	\$270,000

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 16 - Segment Information - Enterprise Funds

The City's enterprise funds account for the provision of water, sewer, and refuse services. Key financial information for the year ended December 31, 2001, for each enterprise fund is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Operating Revenues	\$825,401	1,439,159	297,609	2,562,169
Operating Expenses				
Before Depreciation	681,853	1,046,381	271,222	1,999,438
Depreciation	<u>164,589</u>	<u>274,958</u>	<u>17,725</u>	<u>457,272</u>
Operating Income (Loss)	<u>(21,023)</u>	117,820	8,662	105,459
Non-operating Revenues:				
Interest	15,416	0	0	15,416
Gain/(Loss) on Sale of Fixed Assets	1,645	(2,726)	0	(1,081)
Non-operating Expenses:				
Interest and Fiscal Charges	150,053	297,780	0	447,833
Transfers In	0	470,000	0	470,000
Net Income	(154,015)	287,314	8,662	141,961
Contributed Capital	103,660	302,852	0	406,512
Property, Plant and Equipment				
Additions	98,664	133,264	18,482	250,410
Net Working Capital	503,307	1,278,521	98,652	1,880,480
Total Assets	4,505,173	7,933,785	287,322	12,726,280
Bonds and Other Long-Term				
Liabilities Payable	3,422,562	4,736,203	0	8,158,765
Total Equity	955,976	3,091,666	219,920	4,267,562

Note 17 - Contingent Liabilities

As of December 31, 2001, the City was a party to various legal proceedings seeking damages or injunctive relief, arising in the course of ordinary business. The ultimate disposition of these proceedings is not presently determinable, but will not, in the opinion of the City Attorney, have a material adverse effect on the continued operation 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 terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

City of Delphos, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 18 – Change in Accounting Principle and Restatement of Fund Balances

For fiscal year 2001, the City has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36, “Reporting for Certain Shared Nonexchange Revenues.” The implementation of GASB Statements 33 and 36 resulted in a the following restatement of fund balance at December 31, 2000.

<u>Fund Name</u>	<u>Fund Balance as Reported 12/31/00</u>	<u>Adjustments</u>	<u>Fund Balance as Restated 1/01/01</u>
General Fund	\$1,111,545	\$39,875	\$1,151,420
Special Revenue Fund	250,152	77,044	327,196

In addition, during 2002, the City contracted with an appraisal firm to conduct an inventory of the City’s fixed assets. Due to the new appraisal, a restatement of the General Fixed Assets Account Group and Enterprise Fund was necessary. As a result of the new appraisal during 2001, the General Fixed Assets Account Group was restated from \$2,166,800 to \$1,797,249. The Enterprise funds Retained Earnings were restated from \$3,523,472 to \$3,698,137.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of City Council
City of Delphos
Delphos, Ohio

We have audited the general purpose financial statements of the City of Delphos, Ohio as of and for the year ended December 31, 2001, and have issued our report thereon dated July 24, 2003, wherein we noted the City adopted Governmental Accounting Standards Board Statement Nos. 33 and 36. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-D-001. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 24, 2003.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose 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 we have reported to the management of the City in a separate letter dated July 24, 2003.

This report is intended for the information and use of management, the honorable Mayor and members of city council and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
July 24, 2003

**CITY OF DELPHOS
SCHEDULE OF FINDINGS**

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

Finding Number: 2001-D-001

The following funds had total expenditures plus encumbrances in excess of appropriations at the legal level of control contrary to Section 5705.41 (B), Ohio Revised Code:

General Fund

Special Revenue Fund:

SCM&R

Capital Projects Fund:

Ed Grant Application

Reservoir Feasibility Study

Water Source

Downtown Lighting

Issue I Restroom

CITY OF DELPHOS, OHIO

Allen County
December 31, 2001

Schedule of Prior Audit Findings

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid. Explain.
2000-D-01	Total estimated receipts in excess of actual receipts	Yes	Finding No Longer Valid.
2000-D-02	Expenditure of money before it is appropriated.	Partially	Noted a small number of expenditures of money before appropriation. This is now an immaterial instance of noncompliance.
2000-D-03	Fixed Assets	Yes	Finding No Longer Valid.
2000-D-04	Contributed Capital	Yes	Finding No Longer Valid.
2000-D-05	Proper application of accounting treatment with regards to financial statements	Yes	Finding No Longer Valid.



**Auditor of State
Betty Montgomery**

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800-282-0370

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CITY OF DELPHOS

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
NOVEMBER 6, 2003**