

**City of Delphos**  
**Allen County**  
*Audited Financial statements*

December 31, 2011





# Dave Yost • Auditor of State

Members of Council  
City of Delphos  
608 North Canal Street  
Delphos, Ohio 45833

We have reviewed the *Independent Auditor's* Report of the City of Delphos, Allen County, prepared by Rea & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 27, 2012

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**City of Delphos – Allen County  
Basic Financial Statements  
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June 22, 2012

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

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, Ohio, (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Ohio, as of December 31, 2011, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund and income tax fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City restated fund balances to account for the implementation of Governmental Accounting Standards Board Statement No. 54.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Rea & Associates, Inc.*



**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2011*

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As management of the City of Delphos (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2011.

**Financial Highlights**

- The total net assets of the City decreased \$761,825. Net assets of governmental activities decreased \$343,969, which represents a 7.3 percent increase over year 2010. Net assets of business-type activities decreased \$417,856, or 3.2 percent from year 2010.
- General revenues for governmental activities accounted for \$3,163,411, or 75.2 percent of total governmental activities revenue. Program specific revenues accounted for \$1,044,765 or 24.8 percent of total governmental activities revenue.
- The City had \$3,792,145 in expenses related to governmental activities; \$1,044,765 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$2,747,380 were sufficient to offset these program expenses.
- The general fund, the City's largest major governmental fund, had revenues of \$2,959,575 in 2011, or 70.3 percent of total governmental funds. Expenditures and other financing uses of the general fund were \$2,977,864 or 66.7 percent of total governmental funds. The general fund balance decreased \$18,289 or 2.3 percent in 2011.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2011*

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

### **Fund Financial Statements**

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

#### Governmental Funds

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

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

The City maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the income tax special revenue fund which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation.

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

#### Proprietary Funds

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

**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2011*

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

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

**Notes to the Basic Financial Statements**

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

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$17.1 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (73.2 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2011*

The following table provides a summary of the City's net assets for 2011 compared to 2010:

**Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	Restated				Restated	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 2,669,919	\$ 2,765,930	\$ 3,456,161	\$ 4,229,915	\$ 6,126,080	\$ 6,995,845
Noncurrent assets	2,706,767	2,864,563	53,418,856	55,880,509	56,125,623	58,745,072
Total assets	5,376,686	5,630,493	56,875,017	60,110,424	62,251,703	65,740,917
Current liabilities	540,147	466,638	242,720	263,197	782,867	729,835
Noncurrent liabilities	467,431	450,778	43,889,739	46,686,813	44,357,170	47,137,591
Total liabilities	1,007,578	917,416	44,132,459	46,950,010	45,140,037	47,867,426
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	2,706,767	2,834,159	9,827,249	9,472,015	12,534,016	12,306,174
Restricted	719,666	894,981	0	0	719,666	894,981
Unrestricted	942,675	983,937	2,915,309	3,688,399	3,857,984	4,672,336
Total net assets	\$ 4,369,108	\$ 4,713,077	\$ 12,742,558	\$ 13,160,414	\$ 17,111,666	\$ 17,873,491

**Governmental Activities**

Total assets decreased by \$253,807. The majority of this decrease can be attributed to a decrease in capital assets, which is the result of current year depreciation expense exceeding capital asset acquisitions. Current liabilities increased by \$73,509. A significant portion of this increase is due to higher accrued wages and intergovernmental payable in 2011. The accrued wages increase was due to the timing of the last payroll of the year. Intergovernmental payables liability increased due to the City accruing the employer share of December's pension (2011 liability was not paid until January 2012).

**Business-Type Activities**

Total assets decreased \$3,235,407 and total liabilities decreased by \$2,817,551. This is due in part to the completion of two capital projects and a decrease in capital assets, which is the result of current year depreciation expense exceeding capital asset acquisitions.

**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2011

The following table shows the changes in net assets for the year ended December 31, 2011 and revenue and expense comparison to 2010:

**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	Restated				Restated	
	2011	2010	2011	2010	2011	2010
<b>Program revenues:</b>						
Charges for services	\$ 613,826	\$ 558,259	\$ 4,988,831	\$ 5,926,401	\$ 5,602,657	\$ 6,484,660
Operating grants	361,445	404,533	0	0	361,445	404,533
Capital grants	69,494	104,497	224,762	1,793,607	294,256	1,898,104
<b>General revenues:</b>						
Taxes	2,740,387	2,760,118	0	0	2,740,387	2,760,118
Intergovernmental	370,993	562,424	0	0	370,993	562,424
Investment earnings	18,555	36,219	0	0	18,555	36,219
Other	33,476	25,953	7,242	5,076	40,718	31,029
<b>Total revenues</b>	<b>4,208,176</b>	<b>4,452,003</b>	<b>5,220,835</b>	<b>7,725,084</b>	<b>9,429,011</b>	<b>12,177,087</b>
<b>Expenses:</b>						
General government	310,191	325,044	0	0	310,191	325,044
Security of persons and property	2,637,087	2,515,248	0	0	2,637,087	2,515,248
Public health & welfare	51,652	51,650	0	0	51,652	51,650
Leisure time activities	448,781	512,886	0	0	448,781	512,886
Community environment	0	150	0	0	0	150
Transportation	343,221	395,350	0	0	343,221	395,350
Interest & fiscal charges	1,213	2,380	0	0	1,213	2,380
Water	0	0	1,857,026	1,959,920	1,857,026	1,959,920
Sewer	0	0	4,054,488	3,914,916	4,054,488	3,914,916
Garbage	0	0	487,177	470,011	487,177	470,011
<b>Total expenses</b>	<b>3,792,145</b>	<b>3,802,708</b>	<b>6,398,691</b>	<b>6,344,847</b>	<b>10,190,836</b>	<b>10,147,555</b>
<b>Increase in net assets</b>						
before transfers	416,031	649,295	(1,177,856)	1,380,237	(761,825)	2,029,532
Transfers	(760,000)	(630,000)	760,000	630,000	0	0
<b>Change in net assets</b>	<b>\$ (343,969)</b>	<b>\$ 19,295</b>	<b>\$ (417,856)</b>	<b>\$ 2,010,237</b>	<b>\$ (761,825)</b>	<b>\$ 2,029,532</b>

**Governmental Activities**

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services and investment interest.

The City's income tax is at a rate of 1.5 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides a 0.75 percent credit for those who pay income tax to another city.

**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended December 31, 2011*

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General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding, 83.4 percent of expenses in the governmental activities are funded. The City monitors its sources of revenues very closely for fluctuations.

Police and fire (security of persons and property) represent the largest expense of the governmental activities. This expense of \$2,637,087 represents 69.5 percent of the total governmental activities expenses. The police and fire departments operate primarily out of the General fund.

The City's street maintenance and repair department (transportation) provides the City and its citizens many services that include public road salting, street and alley repairs, water and sewer line repairs and leaf and debris pickup. These expenses totaled \$343,221, or 9.1 percent of total governmental activities expenses during 2011.

The City also maintains a parks and recreation department (leisure time activities) within the City. This area had expenses of \$448,781 in 2011 equaling 11.8 percent of the total governmental activities expenses.

**Business-Type Activities**

Business-type activities include water, sewer and garbage operations. The revenues are generated primarily from charges for services. In 2011, charges for services of \$4,988,831 accounted for 95.6 percent of the business-type revenues. The total expenses for the utilities were \$6,398,691, thus leaving a decrease in net assets of \$417,856 for the business-type activities. The large decrease in capital grants is attributed to the decrease in OPWC & OWDA grants due to the completion of capital projects.

**Program Expenses**

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

**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2011

	<b>Program Expenses</b>			
	Total Cost of Service		Net Cost of Service	
	2011	Restated 2010	2011	Restated 2010
<b>Governmental Activities:</b>				
General government	\$ 310,191	\$ 325,044	\$ (217,314)	\$ (236,327)
Security of persons and property	2,637,087	2,515,248	(2,210,240)	(2,132,727)
Public health and welfare	51,652	51,650	(51,652)	(51,650)
Leisure time activities	448,781	512,886	(339,859)	(326,006)
Community environment	0	150	536	386
Transportation	343,221	395,350	72,362	13,285
Interest and fiscal charges	1,213	2,380	(1,213)	(2,380)
Total governmental activities	<u>3,792,145</u>	<u>3,802,708</u>	<u>(2,747,380)</u>	<u>(2,735,419)</u>
<b>Business-Type Activities:</b>				
Water	1,857,026	1,959,920	147,987	540,943
Sewer	4,054,488	3,914,916	(1,309,884)	850,504
Garbage	487,177	470,011	(23,201)	(16,286)
Total business-type activities	<u>6,398,691</u>	<u>6,344,847</u>	<u>(1,185,098)</u>	<u>1,375,161</u>
<b>Grand total</b>	<u>\$ 10,190,836</u>	<u>\$ 10,147,555</u>	<u>\$ (3,932,478)</u>	<u>\$ (1,360,258)</u>

The City's reliance upon general revenues for governmental activities is apparent, with 72.4 percent and 71.9 percent of expenses supported through taxes and other general revenues for 2011 and 2010, respectively.

**Financial Analysis of the Government's Funds**

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

*Governmental Funds*

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,345,893, a 9.9 percent decrease from the prior year. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2011 and 2010.

**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2011

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	Fund Balance		Increase (Decrease)
	12/31/2011	Restated 12/31/2010	
General	\$ 798,014	\$ 756,555	\$ 41,459
Income tax	199,676	293,515	(93,839)
Other governmental	348,203	443,483	(95,280)
<i>Totals</i>	\$ 1,345,893	\$ 1,493,553	\$ (147,660)

The general fund is the chief operating fund of the City. The income tax fund is a special revenue fund that collects municipal income taxes that are used to pay an OWDA loan for the City's sewer department. At the end of the current fiscal year, unassigned fund balance of the general fund is \$749,572 and the committed fund balance of the income tax fund is \$198,934.

*Proprietary Funds*

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

Unrestricted net assets in the water fund at the end of the year amounted to \$736,122. Total net assets increased \$147,514 or 2.4 percent from the previous year.

Unrestricted net assets in the sewer fund at the end of the year amounted to \$2,097,535. Total net assets decreased \$551,074 or 8.2 percent from the previous year. This significant decrease in net assets can be attributed to a decrease in OPWC and OWDA grants received by the City in 2011 due to the completion of multiple capital projects in the sewer department. These grant proceeds were utilized by the City for a solar panel project and a turbo blower project at the wastewater treatment plant.

**General Fund Budgetary Information**

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

During 2011, revisions were made to the general fund budget. These revisions are reflected on the statement of revenues, expenditures and changes in fund balances for the general fund on page 18. Within each departmental function, the department heads are restricted in their budget by the total of each department as well as the personal services in each department.

Original general fund budgeted revenues of \$2,669,744 were \$300,001 less than the final budgeted amount of \$2,969,745. Final budgeted revenues were \$112,559 more than actual revenue for the year.

Original general fund expenditures (including other financing uses) of \$3,095,000 were \$300,000 less than with the final budgeted amount of \$3,395,000. Actual expenditures were \$2,869,701 including other financing uses.



**City of Delphos, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended December 31, 2011

**Capital Assets**

At the end of year 2011, the City had \$56,125,623 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment, vehicles, construction in progress and infrastructure. Of this total, \$2,706,767 was reported in governmental activities and \$53,418,856 was reported in business-type activities. Additional details are provided in Note 7 of the notes to the financial statements. The table below reports year 2011 balances compared to 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 476,660	\$ 476,660	\$ 889,207	\$ 889,207	\$ 1,365,867	\$ 1,365,867
Land improvements	929,516	932,136	3,930,881	4,032,963	4,860,397	4,965,099
Buildings	725,421	777,569	31,399,760	32,122,692	32,125,181	32,900,261
Equipment	217,746	213,633	7,806,837	9,295,007	8,024,583	9,508,640
Vehicles	357,424	464,565	95,845	125,694	453,269	590,259
Infrastructure	0	0	9,296,326	8,834,307	9,296,326	8,834,307
Construction in progress	0	0	0	580,639	0	580,639
<b>Total</b>	<b>\$ 2,706,767</b>	<b>\$ 2,864,563</b>	<b>\$ 53,418,856</b>	<b>\$ 55,880,509</b>	<b>\$ 56,125,623</b>	<b>\$ 58,745,072</b>

The decrease in total capital assets is due to current year depreciation exceeding current year additions.

**Debt**

At December 31, 2011, the City had total long-term debt outstanding of \$43,651,661. Of this total, \$2,872,594 is due within one year and \$40,779,067 is due in more than one year. Additional details are provided in Note 11 of the notes to the financial statements. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt at Fiscal Year End**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital lease	\$ 0	\$ 30,404	\$ 0	\$ 0	\$ 0	\$ 30,404
General obligation bonds	0	0	1,764,469	1,948,304	1,764,469	1,948,304
OPWC loans	0	0	209,309	241,771	209,309	241,771
OWDA loans	0	0	41,677,883	44,293,487	41,677,883	44,293,487
<b>Total</b>	<b>\$ 0</b>	<b>\$ 30,404</b>	<b>\$ 43,651,661</b>	<b>\$ 46,483,562</b>	<b>\$ 43,651,661</b>	<b>\$ 46,513,966</b>

**Contacting the City's Financial Management**

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

**City of Delphos**  
*Statement of Net Assets*  
*December 31, 2011*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 948,812	\$ 1,930,731	\$ 2,879,543
Receivables:			
Income Taxes	856,864	0	856,864
Property Taxes	380,855	0	380,855
Accounts	105,107	1,360,689	1,465,796
Intergovernmental	330,797	5,252	336,049
Special Assessments	1,530	0	1,530
Internal Balances	(17,515)	17,515	0
Materials and Supplies Inventory	14,631	46,750	61,381
Prepaid Items	48,838	35,170	84,008
Deferred Charges	0	60,054	60,054
Non-Depreciable Capital Assets	476,660	889,207	1,365,867
Depreciable Capital Assets, Net	2,230,107	52,529,649	54,759,756
<i>Total Assets</i>	<u>5,376,686</u>	<u>56,875,017</u>	<u>62,251,703</u>
<b>Liabilities</b>			
Accounts Payable	28,992	189,355	218,347
Accrued Wages	29,044	12,851	41,895
Intergovernmental Payable	124,256	40,514	164,770
Claims Payable	4,638	0	4,638
Deferred Revenue	353,217	0	353,217
Long-Term Liabilities:			
Due Within One Year	162,817	2,953,096	3,115,913
Due in More Than One Year	304,614	40,936,643	41,241,257
<i>Total Liabilities</i>	<u>1,007,578</u>	<u>44,132,459</u>	<u>45,140,037</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,706,767	9,827,249	12,534,016
Restricted for Capital Outlay	6,167	0	6,167
Restricted for Other Purposes	713,499	0	713,499
Unrestricted	942,675	2,915,309	3,857,984
<i>Total Net Assets</i>	<u>\$ 4,369,108</u>	<u>\$ 12,742,558</u>	<u>\$ 17,111,666</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Statement of Activities**  
For the Year Ended December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 310,191	\$ 92,877	\$ 0	\$ 0	\$ (217,314)	\$ 0	\$ (217,314)
Security of Persons and Property	2,637,087	411,491	15,356	0	(2,210,240)	0	(2,210,240)
Public Health	51,652	0	0	0	(51,652)	0	(51,652)
Leisure Time Activities	448,781	108,922	0	0	(339,859)	0	(339,859)
Community and Economic Development	0	536	0	0	536	0	536
Transportation	343,221	0	346,089	69,494	72,362	0	72,362
Interest and Fiscal Charges	1,213	0	0	0	(1,213)	0	(1,213)
<i>Total Governmental Activities</i>	<u>3,792,145</u>	<u>613,826</u>	<u>361,445</u>	<u>69,494</u>	<u>(2,747,380)</u>	<u>0</u>	<u>(2,747,380)</u>
<b>Business-Type Activities:</b>							
Water	1,857,026	2,005,013	0	0	0	147,987	147,987
Sewer	4,054,488	2,519,842	0	224,762	0	(1,309,884)	(1,309,884)
Garbage	487,177	463,976	0	0	0	(23,201)	(23,201)
<i>Total Business-Type Activities</i>	<u>6,398,691</u>	<u>4,988,831</u>	<u>0</u>	<u>224,762</u>	<u>0</u>	<u>(1,185,098)</u>	<u>(1,185,098)</u>
<i>Total - Primary Government</i>	<u>\$ 10,190,836</u>	<u>\$ 5,602,657</u>	<u>\$ 361,445</u>	<u>\$ 294,256</u>	<u>(2,747,380)</u>	<u>(1,185,098)</u>	<u>(3,932,478)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					298,612	0	298,612
Safety Services					50,420	0	50,420
Income Taxes Levied for:							
General Purposes					1,640,292	0	1,640,292
Capital Improvements					751,063	0	751,063
Grants and Entitlements not Restricted to Specific Programs					370,993	0	370,993
Investment Earnings					18,555	0	18,555
Miscellaneous					33,476	7,242	40,718
<i>Total General Revenues</i>					<u>3,163,411</u>	<u>7,242</u>	<u>3,170,653</u>
Transfers					(760,000)	760,000	0
<i>Total General Revenues and Transfers</i>					<u>2,403,411</u>	<u>767,242</u>	<u>3,170,653</u>
<i>Change in Net Assets</i>					(343,969)	(417,856)	(761,825)
<i>Net Assets Beginning of Year (Restated)</i>					<u>4,713,077</u>	<u>13,160,414</u>	<u>17,873,491</u>
<i>Net Assets End of Year</i>					<u>\$ 4,369,108</u>	<u>\$12,742,558</u>	<u>\$ 17,111,666</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2011*

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 465,245	\$ 85,139	\$ 342,018	\$ 892,402
Receivables:				
Income Taxes	632,278	224,586	0	856,864
Property Taxes	326,297	0	54,558	380,855
Accounts	97,061	0	8,046	105,107
Intergovernmental	140,765	0	190,032	330,797
Special Assessments	0	0	1,530	1,530
Interfund Receivable	50,000	0	0	50,000
Materials and Supplies Inventory	896	0	13,735	14,631
Prepaid Items	44,927	742	1,097	46,766
<i>Total Assets</i>	<u>\$ 1,757,469</u>	<u>\$ 310,467</u>	<u>\$ 611,016</u>	<u>\$ 2,678,952</u>
<b>Liabilities</b>				
Accounts Payable	\$ 25,469	\$ 0	\$ 3,523	\$ 28,992
Accrued Wages	26,740	645	1,659	29,044
Intergovernmental Payable	92,396	2,050	29,810	124,256
Interfund Payable	0	0	50,000	50,000
Deferred Revenue	814,850	108,096	177,821	1,100,767
<i>Total Liabilities</i>	<u>959,455</u>	<u>110,791</u>	<u>262,813</u>	<u>1,333,059</u>
<b>Fund Balances</b>				
Nonspendable	48,442	742	14,832	64,016
Restricted	0	0	311,927	311,927
Committed	0	198,934	21,444	220,378
Unassigned	749,572	0	0	749,572
<i>Total Fund Balances</i>	<u>798,014</u>	<u>199,676</u>	<u>348,203</u>	<u>1,345,893</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,757,469</u>	<u>\$ 310,467</u>	<u>\$ 611,016</u>	<u>\$ 2,678,952</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2011*

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<b>Total Governmental Fund Balances</b>	\$	1,345,893
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*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,706,767
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	\$	27,638
Income Taxes		459,254
Intergovernmental		222,580
Special Assessments		1,530
Charges for Services		<u>36,548</u>

Total		747,550
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		36,329
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences		<u>(467,431)</u>
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Total		<u>(467,431)</u>
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<i>Net Assets of Governmental Activities</i>	\$	<u><u>4,369,108</u></u>
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See accompanying notes to the basic financial statements.

**City of Delphos**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 301,165	\$ 0	\$ 50,922	\$ 352,087
Income Taxes	1,649,181	734,490	0	2,383,671
Charges for Services	506,880	0	0	506,880
Licenses and Permits	84,686	0	3,536	88,222
Fines and Forfeitures	0	0	12,087	12,087
Intergovernmental	390,393	0	427,360	817,753
Interest	18,555	0	0	18,555
Other	8,715	0	23,640	32,355
<i>Total Revenues</i>	<u>2,959,575</u>	<u>734,490</u>	<u>517,545</u>	<u>4,211,610</u>
<b>Expenditures</b>				
Current:				
General Government	185,295	68,329	69,077	322,701
Security of Persons and Property	2,202,663	0	242,930	2,445,593
Public Health	51,652	0	0	51,652
Lesiure Time Activities	400,637	0	0	400,637
Transportation	0	0	350,231	350,231
Debt Service:				
Principal Retirement	30,404	0	0	30,404
Interest and Fiscal Charges	1,213	0	0	1,213
<i>Total Expenditures</i>	<u>2,871,864</u>	<u>68,329</u>	<u>662,238</u>	<u>3,602,431</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>87,711</u>	<u>666,161</u>	<u>(144,693)</u>	<u>609,179</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	106,000	106,000
Insurance Recoveries	0	0	3,161	3,161
Transfers Out	(106,000)	(760,000)	0	(866,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(106,000)</u>	<u>(760,000)</u>	<u>109,161</u>	<u>(756,839)</u>
<i>Net Change in Fund Balance</i>	(18,289)	(93,839)	(35,532)	(147,660)
<i>Fund Balance Beginning of Year (Restated)</i>	<u>816,303</u>	<u>293,515</u>	<u>383,735</u>	<u>1,493,553</u>
<i>Fund Balance End of Year</i>	<u>\$ 798,014</u>	<u>\$ 199,676</u>	<u>\$ 348,203</u>	<u>\$ 1,345,893</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2011*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (147,660)

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	\$ 145,053
Current Year Depreciation	<u>(292,129)</u>

Total	(147,076)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale.

In the statement of activities, a gain or loss is reported for each disposal. (10,720)

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

Delinquent Property Taxes	(3,054)
Deferred Income Taxes	7,684
Charges for Services	6,637
Special Assessments	(2,040)
Intergovernmental	<u>(15,822)</u>

Total	(6,595)
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

30,404

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

(47,057)

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

(15,265)

*Change in Net Assets of Governmental Activities* \$ (343,969)

See accompanying notes to the basic financial statements.

**City of Delphos**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 496,080	\$ 551,825	\$ 530,910	\$ (20,915)
Income Taxes	1,532,683	1,704,911	1,640,292	(64,619)
Charges for Services	382,624	425,620	409,488	(16,132)
Fines, Licenses and Permits	78,637	87,473	84,158	(3,315)
Intergovernmental	154,849	172,250	165,721	(6,529)
Interest	17,338	19,286	18,555	(731)
Other	7,533	8,380	8,062	(318)
<i>Total Revenues</i>	<u>2,669,744</u>	<u>2,969,745</u>	<u>2,857,186</u>	<u>(112,559)</u>
<b>Expenditures</b>				
Current:				
General Government	212,546	207,546	181,507	26,039
Security of Persons and Property	2,043,477	2,298,477	2,088,615	209,862
Public Health Services	55,000	55,000	51,652	3,348
Lesiure Time Services	387,977	437,977	391,927	46,050
<i>Total Expenditures</i>	<u>2,699,000</u>	<u>2,999,000</u>	<u>2,713,701</u>	<u>285,299</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(29,256)</u>	<u>(29,255)</u>	<u>143,485</u>	<u>172,740</u>
<b>Other Financing Uses</b>				
Transfers Out	(106,000)	(106,000)	(106,000)	0
Advances Out	(290,000)	(290,000)	(50,000)	240,000
<i>Total Other Financing Uses</i>	<u>(396,000)</u>	<u>(396,000)</u>	<u>(156,000)</u>	<u>240,000</u>
<i>Net Change in Fund Balance</i>	(425,256)	(425,255)	(12,515)	412,740
<i>Fund Balance Beginning of Year</i>	<u>442,340</u>	<u>442,340</u>	<u>442,340</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 17,084</u>	<u>\$ 17,085</u>	<u>\$ 429,825</u>	<u>\$ 412,740</u>

See accompanying notes to the basic financial statements.



**City of Delphos**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Income Tax Fund*  
*For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Income Tax	\$ 846,488	\$ 946,488	\$ 758,240	\$ (188,248)
<i>Total Revenues</i>	<u>846,488</u>	<u>946,488</u>	<u>758,240</u>	<u>(188,248)</u>
<b>Expenditures</b>				
Current:				
General Government	1,000,000	1,100,000	826,647	273,353
<i>Net Change in Fund Balance</i>	(153,512)	(153,512)	(68,407)	85,105
<i>Fund Balance Beginning of Year</i>	<u>153,546</u>	<u>153,546</u>	<u>153,546</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 34</u>	<u>\$ 34</u>	<u>\$ 85,139</u>	<u>\$ 85,105</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2011*

	Enterprise Funds			Governmental Activities - Internal Service Fund	
	Water	Sewer	Other Enterprise		Totals
<b>Assets:</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 279,098	\$ 1,613,410	\$ 38,223	\$ 1,930,731	\$ 56,410
Accounts Receivable	555,264	667,412	138,013	1,360,689	0
Materials and Supplies Inventory	26,686	20,064	0	46,750	0
Intergovernmental Receivable	0	5,252	0	5,252	0
Prepaid Items	8,704	25,555	911	35,170	2,072
<i>Total Current Assets</i>	<u>869,752</u>	<u>2,331,693</u>	<u>177,147</u>	<u>3,378,592</u>	<u>58,482</u>
<i>Non-Current Assets:</i>					
Deferred Charges	0	60,054	0	60,054	0
Non-Depreciable Capital Assets	12,658	876,549	0	889,207	0
Depreciable Capital Assets, Net	21,807,007	30,644,656	77,986	52,529,649	0
<i>Total Non-Current Assets</i>	<u>21,819,665</u>	<u>31,581,259</u>	<u>77,986</u>	<u>53,478,910</u>	<u>0</u>
<i>Total Assets</i>	<u>22,689,417</u>	<u>33,912,952</u>	<u>255,133</u>	<u>56,857,502</u>	<u>58,482</u>
<b>Liabilities</b>					
<i>Current Liabilities:</i>					
Accounts Payable	16,427	61,521	111,407	189,355	0
Accrued Wages	5,188	7,299	364	12,851	0
Intergovernmental Payable	16,865	22,412	1,237	40,514	0
Claims Payable	0	0	0	0	4,638
Compensated Absences Payable	30,178	50,324	0	80,502	0
General Obligation Bonds Payable	191,065	0	0	191,065	0
OPWC Loans Payable	21,640	0	0	21,640	0
OWDA Loans Payable	736,161	1,923,728	0	2,659,889	0
<i>Total Current Liabilities</i>	<u>1,017,524</u>	<u>2,065,284</u>	<u>113,008</u>	<u>3,195,816</u>	<u>4,638</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	64,974	92,602	0	157,576	0
General Obligation Bonds Payable - Net of Current Portion	1,573,404	0	0	1,573,404	0
OPWC Loans Payable - Net of Current Portion	187,669	0	0	187,669	0
OWDA Loans Payable - Net of Current Portion	13,431,479	25,586,515	0	39,017,994	0
<i>Total Long-Term Liabilities</i>	<u>15,257,526</u>	<u>25,679,117</u>	<u>0</u>	<u>40,936,643</u>	<u>0</u>
<i>Total Liabilities</i>	<u>16,275,050</u>	<u>27,744,401</u>	<u>113,008</u>	<u>44,132,459</u>	<u>4,638</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	5,678,245	4,071,016	77,988	9,827,249	0
Unrestricted	736,122	2,097,535	64,137	2,897,794	53,844
<i>Total Net Assets</i>	<u>\$ 6,414,367</u>	<u>\$ 6,168,551</u>	<u>\$ 142,125</u>		<u>\$ 53,844</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				17,515	
Net assets of business-type activities				<u>\$ 12,742,558</u>	

See accompanying notes to the basic financial statements.

**City of Delphos**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2011*

	Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water	Sewer	Other Enterprise		
<b>Operating Revenues</b>					
Charges for Services	\$ 1,998,054	\$ 2,519,592	\$ 463,976	\$ 4,981,622	\$ 108,500
Tap-In Fees	6,959	250	0	7,209	0
Other	834	5,791	0	6,625	0
<i>Total Operating Revenues</i>	<u>2,005,847</u>	<u>2,525,633</u>	<u>463,976</u>	<u>4,995,456</u>	<u>108,500</u>
<b>Operating Expenses</b>					
Personal Services	480,142	661,336	31,088	1,172,566	0
Contractual Services	202,602	891,474	433,369	1,527,445	2,770
Materials and Supplies	217,925	154,890	1,937	374,752	0
Claims	0	0	0	0	112,090
Depreciation	570,151	2,012,084	20,783	2,603,018	0
<i>Total Operating Expenses</i>	<u>1,470,820</u>	<u>3,719,784</u>	<u>487,177</u>	<u>5,677,781</u>	<u>114,860</u>
<i>Operating Income (Loss)</i>	<u>535,027</u>	<u>(1,194,151)</u>	<u>(23,201)</u>	<u>(682,325)</u>	<u>(6,360)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Intergovernmental	0	224,762	0	224,762	0
Other Non-Operating Revenues	617	0	0	617	0
Interest and Fiscal Charges	(388,130)	(341,685)	0	(729,815)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(387,513)</u>	<u>(116,923)</u>	<u>0</u>	<u>(504,436)</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	147,514	(1,311,074)	(23,201)	(1,186,761)	(6,360)
Transfers In	0	760,000	0	760,000	0
<i>Change in Net Assets</i>	147,514	(551,074)	(23,201)	(426,761)	(6,360)
<i>Net Assets Beginning of Year</i>	<u>6,266,853</u>	<u>6,719,625</u>	<u>165,326</u>		<u>60,204</u>
<i>Net Assets End of Year</i>	<u>\$ 6,414,367</u>	<u>\$ 6,168,551</u>	<u>\$ 142,125</u>		<u>\$ 53,844</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>8,905</u>	
Changes in net assets of business-type activities				<u>\$ (417,856)</u>	

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Other Enterprise	Totals	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$ 2,168,946	\$ 2,835,477	\$ 446,791	\$ 5,451,214	\$ 108,500
Other Operating Receipts	7,793	6,041	0	13,834	0
Cash Payments to Suppliers for Goods and Services	(210,647)	(152,992)	(1,937)	(365,576)	0
Cash Payments for Employees Services and Benefits	(467,790)	(624,042)	(30,656)	(1,122,488)	0
Cash Payments for Employee Medical Claims	0	0	0	0	(110,666)
Cash Payments for Contractual Services	(200,199)	(875,080)	(427,183)	(1,502,462)	(2,770)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,298,103</u>	<u>1,189,404</u>	<u>(12,985)</u>	<u>2,474,522</u>	<u>(4,936)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Advances In	0	25,000	0	25,000	0
Transfers In	0	760,000	0	760,000	0
Advances Out	(25,000)	0	0	(25,000)	0
<i>Net Cash (Used for) Provided by Noncapital Financing Activities</i>	<u>(25,000)</u>	<u>785,000</u>	<u>0</u>	<u>760,000</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Intergovernmental Receipts	0	229,531	0	229,531	0
Proceeds from Loans - ARRA	0	41,125	0	41,125	0
Acquisition of Capital Assets	0	(171,285)	0	(171,285)	0
Principal Payments on Debt	(937,595)	(1,935,431)	0	(2,873,026)	0
Interest Payments on Debt	(388,128)	(326,671)	0	(714,799)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,325,723)</u>	<u>(2,162,731)</u>	<u>0</u>	<u>(3,488,454)</u>	<u>0</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(52,620)	(188,327)	(12,985)	(253,932)	(4,936)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>331,718</u>	<u>1,801,737</u>	<u>51,208</u>	<u>2,184,663</u>	<u>61,346</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 279,098</u>	<u>\$ 1,613,410</u>	<u>\$ 38,223</u>	<u>\$ 1,930,731</u>	<u>\$ 56,410</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
<i>Operating Income (Loss)</i>	\$ 535,027	\$ (1,194,151)	\$ (23,201)	\$ (682,325)	\$ (6,360)
Adjustments:					
Depreciation	570,151	2,012,084	20,783	2,603,018	0
(Increase) Decrease in Assets:					
Accounts Receivable	170,892	315,885	(17,185)	469,592	0
Materials and Supplies Inventory	12,749	(159)	0	12,590	0
Prepaid Items	3,966	6,319	(819)	9,466	0
Increase (Decrease) in Liabilities:					
Accounts Payable	(7,034)	12,132	7,005	12,103	0
Accrued Wages	(1,295)	(1,144)	(321)	(2,760)	0
Claims Payable	0	0	0	0	1,424
Compensated Absences Payable	6,040	28,787	0	34,827	0
Intergovernmental Payable	7,607	9,651	753	18,011	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 1,298,103</u>	<u>\$ 1,189,404</u>	<u>\$ (12,985)</u>	<u>\$ 2,474,522</u>	<u>\$ (4,936)</u>

See accompanying notes to the basic financial statements.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

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

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

**B. Basis of Presentation**

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Government-wide Financial Statements*** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

***C. Fund Accounting***

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

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

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

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

**D. Measurement Focus**

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

***E. Basis of Accounting***

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

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

Non-exchange transactions are transactions in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes, and motel-hotel taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from the non-exchange transactions must also be available before it can be recognized.



**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

Delinquent property taxes and property taxes for which there is an enforcement legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expense/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**F. Budgetary Data**

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

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Estimated Resources*** – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized property taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2011.

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

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

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

***G. Pooled Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During fiscal year 2011, the City's investments were limited to a money market deposit account.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest revenue credited to the general fund during 2011 amounted to \$18,555 which includes \$15,362 assigned from other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***H. Materials and Supplies Inventory***

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

***I. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

***J. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized.

Interest incurred during the construction of capital assets is capitalized for business-type activities. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the useful life of the asset. For 2011, interest costs incurred on construction projects were not material and were not capitalized as part of the construction projects.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

***K. Deferred Charges***

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

***L. Compensated Absences***

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

In accordance with the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences*,” a liability for vacation leave is accrued if, 1) employees’ rights to receive compensation are attributable to services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means. A liability for vacation leave is based on the vacation leave accumulated at December 31, 2011. Sick leave benefits are accrued as a liability using the termination payments method. An accrual for sick leave is made when it is expected to be liquidated with available financial resources and is recorded as an expenditure and fund liability of the governmental fund that will pay it.

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

***M. Accrued Liabilities and Long-Term Obligations***

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

***N. Interfund Transactions***

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

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

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

***O. Operating Revenues and Expenses***

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

***P. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or law or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Q. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City.

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

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***R. Estimates***

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Extraordinary and Special Items**

Extraordinary items are transactions and events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

**Note 2 – Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general and income tax funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a restricted, committed or assigned fund balance (GAAP).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and income tax funds:

<b>Net Change in Fund Balance</b>		
	General	Income Tax
GAAP Basis	\$ (18,289)	\$ (93,839)
Revenue Accruals	(16,230)	23,750
Expenditure Accruals	(7,480)	1,682
Funds Budgeted Elsewhere	29,484	0
Budget Basis	\$ (12,515)	\$ (68,407)

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 2 – Budgetary Basis of Accounting (Continued)**

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes fire/rescue equipment and unclaimed funds.

**Note 3 – Restatement of Fund Balances and Net Assets**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the City’s governmental fund balances as previously reported:

	General Fund	Other Governmental
Fund Balance Previously Reported at December 31, 2010	\$ 754,087	\$ 443,483
Fund reclassifications:		
Fire/Rescue Equipment	59,748	(59,748)
Unclaimed Monies (Agency)	2,468	0
Restated Fund Balance at January 1, 2011	\$ 816,303	\$ 383,735

	Governmental Activities	Agency Fund
Net Assets Previously Reported at December 31, 2010	\$ 4,710,609	\$ 2,468
Fund Reclassification		
Unclaimed Monies (Agency)	2,468	(2,468)
Restated Net Assets at January 1, 2011	\$ 4,713,077	\$ 0

**Note 4 – Implementation of New Accounting Policies**

For the year ended December 31, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.



**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 4 – Implementation of New Accounting Policies (Continued)**

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

**Note 5 – Deposits and Investments**

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

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

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

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

Interim monies 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.;
4. Bonds and any 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;

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 5 – Deposits and Investments (Continued)**

6. The State Treasurer’s investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City’s name. During 2011, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At year-end, the carrying amount of the City’s deposits was \$2,879,543. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures” as of December 31, 2011, \$2,648,242 of the City’s bank balance of \$3,147,905 was exposed to custodial risk as discussed above, while \$499,663 was covered by Federal Deposit Insurance Corporation.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 6 – Taxes**

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2011, was \$6.75 per \$1,000 of assessed valuation. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

	Allen County	Van Wert County
Real Property	\$ 64,683,670	\$ 34,736,940
Public Utility Personal Property	1,551,300	1,186,320
Tangible Personal Property	0	72,530
Total Assessed Value	\$ 66,234,970	\$ 35,995,790

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

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 6 – Taxes (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Delphos. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

***B. Income Taxes***

The City levies an income tax of 1.5 percent on all income earned within the City as well as incomes of City residents earned outside the City. Residents are granted a 0.75 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 \$2,383,671 (modified accrual) in 2011. The income tax is to be divided 67 percent to the general fund and 33 percent to the income tax fund with any expenses of the income tax process to be charged to the income tax fund and the remainder to be transferred to the sewer fund for sewer system improvements. The .5 percent of the income tax was voter approved for safety services.

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**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

**Note 7 – Capital Assets**

Governmental activities capital asset activity for the fiscal year ended December 31, 2011 was as follows:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 476,660	\$ 0	\$ 0	\$ 476,660
<i>Total Capital Assets Not Being Depreciated</i>	476,660	0	0	476,660
 <i>Capital Assets, Being Depreciated:</i>				
Land improvements	1,498,882	79,133	0	1,578,015
Buildings	1,461,580	0	0	1,461,580
Vehicles	1,828,951	6,825	(64,222)	1,771,554
Equipment and furniture	859,275	59,095	(20,059)	898,311
<i>Total Capital Assets, Being Depreciated</i>	5,648,688	145,053	(84,281)	5,709,460
 <i>Less Accumulated Depreciation:</i>				
Land improvements	(566,746)	(81,753)	0	(648,499)
Buildings	(684,011)	(52,148)	0	(736,159)
Vehicles	(1,364,386)	(113,966)	64,222	(1,414,130)
Equipment and furniture	(645,642)	(44,262)	9,339	(680,565)
<i>Total Accumulated Depreciation</i>	(3,260,785)	(292,129)	73,561	(3,479,353)
 <i>Total Capital Assets Being Depreciated, Net</i>	2,387,903	(147,076)	(10,720)	2,230,107
 <i>Total Governmental Activities Capital Assets, Net</i>	\$ 2,864,563	\$ (147,076)	\$ (10,720)	\$ 2,706,767

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

General Government	\$ 13,887
Security of Persons and Property	136,887
Leisure Time Services	119,675
Transportation	21,680
Total	\$ 292,129

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

**Note 7 – Capital Assets (Continued)**

The business-type activities capital asset activity for the fiscal year ended December 31, 2011 was as follows:

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2011
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 889,207	\$ 0	\$ 0	\$ 889,207
Construction in Progress	580,639	10,484	(591,123)	0
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,469,846</u>	<u>10,484</u>	<u>(591,123)</u>	<u>889,207</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	36,334,982	0	0	36,334,982
Land improvements	4,462,441	0	0	4,462,441
Vehicles	728,983	0	0	728,983
Equipment	16,486,972	0	0	16,486,972
Infrastructure	13,322,393	722,004	0	14,044,397
<i>Total Capital Assets, Being Depreciated</i>	<u>71,335,771</u>	<u>722,004</u>	<u>0</u>	<u>72,057,775</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(4,212,290)	(722,932)	0	(4,935,222)
Land improvements	(429,478)	(102,082)	0	(531,560)
Vehicles	(603,289)	(29,849)	0	(633,138)
Equipment	(7,191,965)	(1,488,170)	0	(8,680,135)
Infrastructure	(4,488,086)	(259,985)	0	(4,748,071)
<i>Total Accumulated Depreciation</i>	<u>(16,925,108)</u>	<u>(2,603,018)</u>	<u>0</u>	<u>(19,528,126)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>54,410,663</u>	<u>(1,881,014)</u>	<u>0</u>	<u>52,529,649</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 55,880,509</u>	<u>\$ (1,870,530)</u>	<u>\$ (591,123)</u>	<u>\$ 53,418,856</u>

**Note 8 – Receivables**

Receivables at December 31, 2011 consisted of taxes, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

**Note 9 – Risk Management**

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

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 9 – Risk Management (Continued)**

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

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

Changes in the fund's claims liability for the years 2011 and 2010 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>End of Year</u>
2010	\$	3,756	\$ 97,078	\$ 97,620	\$ 3,214
2011		3,214	112,090	110,666	4,638

**Note 10 – Capital Lease**

During 2008, the City entered into a capital lease for the acquisition of an ambulance. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

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

The City paid their capital lease obligation in full in 2011.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

**Note 11 – Long-Term Obligations**

Changes in the long-term obligations of the City during 2011 were as follows:

	Outstanding 1/1/2011	Additions	Deletions	Outstanding 12/31/2011	Amounts Due In One Year
<b>Governmental activities:</b>					
Capital lease obligation	\$ 30,404	\$ 0	\$ (30,404)	\$ 0	\$ 0
Compensated Absences	420,374	94,114	(47,057)	467,431	162,817
<i>Total Governmental Activities long-term liabilities</i>	<u>\$ 450,778</u>	<u>\$ 94,114</u>	<u>\$ (77,461)</u>	<u>\$ 467,431</u>	<u>\$ 162,817</u>
<b>Business-Type activities:</b>					
General Obligation Bonds:					
Water plant improvement, 3.25%-4.875%	\$ 1,948,304	\$ 0	\$ (183,835)	\$ 1,764,469	\$ 191,065
<i>Total General Obligation Bonds</i>	<u>1,948,304</u>	<u>0</u>	<u>(183,835)</u>	<u>1,764,469</u>	<u>191,065</u>
OWDA loans:					
1995 OWDA loan, 4.35%	1,605,549	0	(330,419)	1,275,130	344,949
2005 OWDA loan, .95%	27,799,000	0	(1,563,887)	26,235,113	1,578,779
2011 OWDA - ARRA	0	37,183	(37,183)	0	0
2011 OWDA - ARRA	0	3,942	(3,942)	0	0
2006 OWDA loan, 2.00%	13,574,408	0	(677,748)	12,896,660	691,370
2007 OWDA loan, 4.32%	773,112	0	(15,552)	757,560	16,231
2007 OWDA loan, 2.00%	541,418	0	(27,998)	513,420	28,560
<i>Total OWDA Loans</i>	<u>44,293,487</u>	<u>41,125</u>	<u>(2,656,729)</u>	<u>41,677,883</u>	<u>2,659,889</u>
OPWC Loans:					
1992 OPWC loan, 0%	12,382	0	(7,428)	4,954	4,952
1999 OPWC loan, 0%	71,017	0	(11,835)	59,182	7,890
2007 OPWC loan, 0%	158,372	0	(13,199)	145,173	8,798
<i>Total OPWC Loans</i>	<u>241,771</u>	<u>0</u>	<u>(32,462)</u>	<u>209,309</u>	<u>21,640</u>
Compensated absences	203,251	69,654	(34,827)	238,078	80,502
<i>Total business-type activities, long-term liabilities</i>	<u>\$ 46,686,813</u>	<u>\$ 110,779</u>	<u>\$ (2,907,853)</u>	<u>\$ 43,889,739</u>	<u>\$ 2,953,096</u>

The 2005 Ohio Water Development Authority (OWDA) loan was for construction of a new wastewater treatment plant. The 2006 and 2007 Ohio Water Development Authority (OWDA) loans were for construction of a new water treatment plant and reservoir. The wastewater treatment plant was up and running in October 2007. Income taxes and revenue of the facilities will be pledged to repay the debt.

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



**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 11 – Long-Term Obligations (Continued)**

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

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

The \$3,585,000 water plant improvement general obligation bonds mature in 2018 and bear interest rates ranging from 3.25 percent to 4.875 percent. The bonds represent general obligations of the City and have been used to fund various improvements being made to the South Water Plant. These bonds will be paid from revenues generated by the water system. These were paid off by the issuance of the January 5, 2010 refunding bonds described in the paragraph below.

On January 5, 2010, the City issued \$2,125,000 Water System Improvements Refunding Bonds, Series 2010, for the purpose of paying part of the cost of refunding the Water System Improvement Bonds, Series 1999, dated April 1, 1999. These bonds were issued for the purpose of financing the part of the costs of acquiring, constructing, renovating and remodeling improvements to the water supply and waterworks system of the Issuer, including upgrading the water treatment plant, clearwell, nano filters, and aerators. This bond is subject to redemption at the option of the Issuer in whole or in part at any time in inverse order of maturity at a price equal to the principal amount to be redeemed plus accrued interest to the date of redemption. These bonds will mature in 2020 and bear a fixed interest rate of 4 percent.

On August 31, 1995, the City defeased sewer system mortgage revenue bonds by placing the proceeds of OWDA Water Pollution Control Loan Fund Refinancing Agreement in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The advance refunding resulting in a difference between the reacquisition price and the net carrying amount of the old debt of \$300,278. This difference, reported in the accompanying financial statements as a deduction from OWDA loans payable, is being charged to operations through the year 2015 using the straight line method. The amortization of the issuance costs for fiscal year 2011 was \$15,014. At December 31, 2011, the remaining balance to be amortized is \$60,054 and is presented as deferred charges on the balance sheet.

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

During 2011, the Ohio Water Development Authority (OWDA) approved loans to the City in the amounts of \$37,183 for the Solar Panel Project and \$3,942 for the Turbo Blower-WWTP project. The entire amount of each loan was forgiven through assistance from funding through the American Recovery and Reinvestment Act of 2009 (ARRA).

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

**Note 11 – Long-Term Obligations (Continued)**

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$41,887,192 of general obligation bonds, Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 170.63 percent. The total principal and interest remaining to be paid on the loans is \$46,915,400. Principal and interest paid for the current year and total net revenues were \$3,286,774 and \$1,926,245, respectively.

The annual requirements to amortize all bonded debt and loans as of December 31, 2011 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2012	191,065	35,193	2,659,889	601,886	21,640	2,872,594	637,079
2013	195,048	64,878	2,705,270	556,576	19,165	2,919,483	621,454
2014	202,928	56,998	2,751,784	510,134	16,689	2,971,401	567,132
2015	211,127	48,799	2,601,098	462,571	16,689	2,828,914	511,370
2016	219,552	40,374	2,438,618	336,741	16,690	2,674,860	377,115
2017-2021	744,749	68,699	12,685,121	1,643,794	67,664	13,497,534	1,712,493
2022-2026	0	0	13,553,702	776,345	43,993	13,597,695	776,345
2027-2031	0	0	2,026,970	102,895	6,779	2,033,749	102,895
2032-2036	0	0	208,184	35,730	0	208,184	35,730
2037-2038	0	0	47,247	1,536	0	47,247	1,536
Totals	<u>\$ 1,764,469</u>	<u>\$ 314,941</u>	<u>\$41,677,883</u>	<u>\$ 5,028,208</u>	<u>\$ 209,309</u>	<u>\$43,651,661</u>	<u>\$ 5,343,149</u>

**Note 12 – Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. All full time employees shall be required to accumulate a total of 1040 hours sick leave, after which an employee may elect one of the following options for current sick leave at the end of each calendar year: 1) Carry forward the balance. 2) Receive a cash benefit which equals one (1) hour base rate of pay for every two (2) hours of unused current sick leave. The cash benefit is not subject to contributions to any of the retirement systems. Employees earn vacation at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department and only with the Mayor’s approval. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

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

As of December 31, 2011, the liability for unpaid compensated absences was \$705,509 for the entire City.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 13 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$167,864, \$97,878 and \$109,256, respectively; 92 percent has been contributed for 2011 and 100 percent for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$824 made by the City and \$576 made by the plan members.

***Ohio Police and Fire Pension Fund***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 13 – Defined Benefit Pension Plan (Continued)**

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2011, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. For 2010, this allocation was also 6.75 percent. The City's contributions to OP&F for police and firefighters were \$173,813, \$145,806 and \$151,478 for the years ended December 31, 2011, 2010 and 2009, respectively. For 2011, 91 percent has been contributed for police and 90 percent has been contributed for firefighters and 100 percent for 2010 and 2009.

**Note 14 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care benefits.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 14 – Postemployment Benefits (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$67,145, \$72,324 and \$109,256, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2011 were \$589. 92 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 14 – Postemployment Benefits (Continued)**

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$80,739, \$67,221 and \$70,555 for the years ended December 31, 2011, 2010 and 2009, respectively. For 2011, 91 percent has been contributed for police and 90 percent has been contributed for firefighters and 100 percent for 2010 and 2009.

**Note 15 – Contingencies**

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

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

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 16 – Interfund Activity**

**A. Interfund Transfers**

Transfers at December 31, 2011 consisted of the following:

Transfer To	Transfer From		Total
	General	Income Tax	
Nonmajor Governmental	\$ 106,000	\$ 0	\$ 106,000
Sewer	0	760,000	760,000
<i>Total</i>	<u>\$ 106,000</u>	<u>\$ 760,000</u>	<u>\$ 866,000</u>

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

Income tax revenue is transferred to the sewer fund, per City Ordinance, for repayment of debt.

The general fund transferred \$106,000 to various non-major governmental funds to provide additional resources for current operations.

**B. Interfund Balances**

Interfund balances at December 31, 2011 consisted of the following:

	Interfund Receivable	Interfund Payable
Governmental Funds		
General Fund	\$ 50,000	\$ 0
Streetscape	0	50,000
Totals	<u>\$ 50,000</u>	<u>\$ 50,000</u>

This advance was made to pay invoices for the Elida Sidewalk project and is expected to be repaid within one year.

**City of Delphos, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 17 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	<u>General Fund</u>	<u>Income Tax Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable for:				
Inventory	\$ 896	\$ 0	\$ 13,735	\$ 14,631
Prepays	44,927	742	1,097	46,766
Unclaimed Monies	<u>2,619</u>	<u>0</u>	<u>0</u>	<u>2,619</u>
Total Nonspendable	48,442	742	14,832	64,016
Restricted for:				
Capital Outlay	0	0	6,167	6,167
Street Maintenance	0	0	125,842	125,842
State Highway	0	0	89,614	89,614
Permissive Tax	0	0	44,600	44,600
Other Purposes	<u>0</u>	<u>0</u>	<u>45,704</u>	<u>45,704</u>
Total Restricted	0	0	311,927	311,927
Committed for:				
Guaranteed Street Bond	0	0	21,444	21,444
Income Tax	<u>0</u>	<u>198,934</u>	<u>0</u>	<u>198,934</u>
Total Committed	0	198,934	21,444	220,378
Unassigned	<u>749,572</u>	<u>0</u>	<u>0</u>	<u>749,572</u>
Total Fund Balance	<u>\$ 798,014</u>	<u>\$ 199,676</u>	<u>\$ 348,203</u>	<u>\$ 1,345,893</u>



June 22, 2012

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, Ohio (the "City") as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012, in which we noted the City restated fund balances to account for the implementation of Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

City of Delphos  
Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

June 22, 2012

Page 2 of 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated June 22, 2012.

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

*Rea & Associates, Inc.*



# Dave Yost • Auditor of State

**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  
OCTOBER 9, 2012**