

CITY OF DELAWARE, OHIO
REPORT ON AUDIT OF GENERAL-PURPOSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

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STATE OF OHIO
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The Honorable City Council
City of Delaware, Ohio

We have reviewed the Independent Auditor's Report of the City of Delaware, Delaware County, prepared by PriceWaterhouseCoopers LLP, for the audit period January 1, 1998 to December 31, 1998. 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 Delaware is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

May 15, 2000

Report of Independent Accountants

The Honorable City Council
City of Delaware, Ohio

We have audited the accompanying general-purpose financial statements of the City of Delaware, Ohio, (the "City") as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City, taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is stated fairly, in all material respects, in relation to the general-purpose financial statements taken as a whole.

The year 2000 supplementary information on page 35 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit, and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by TB 98-1, as amended, are not sufficiently specific and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that the City, is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole, or in part, or that parties with which the City does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 1999 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

PricewaterhouseCoopers LLP

August 25, 1999

**City of Delaware, Ohio
Combined Balance Sheet--All Fund Types and Account Groups
As of December 31, 1998**

Assets	Governmental Fund Types					Proprietary Fund Types			Fiduciary Fund Types			Account Groups		Totals	
	Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	Long-Term Obligations	(Memorandum Only)				
											1998	1997			
Cash and investments	\$ 1,686,312	\$ 3,840,463	\$ 21,106	\$ 2,222,055	\$ 8,938,558	\$ 1,348,671	\$ 398,388	\$ -	\$ -	\$ -	\$ 18,455,553	\$ 16,569,175			
Net receivables	1,498,514	612,989	-	-	915,763	-	-	-	-	-	3,027,286	2,803,697			
Prepaid expenses, accrued interest	23,520	8,654	-	-	36,364	-	-	-	-	-	68,538	74,608			
Restricted assets:															
Cash in City Treasury	-	-	-	-	480,000	-	-	-	-	-	480,000	480,000			
Cash with trustees	-	-	-	-	524,288	-	-	-	-	-	524,288	518,999			
Accrued interest	-	-	-	-	1,359	-	-	-	-	-	1,359	1,675			
Due from:															
Federal government	8,264	-	-	194,312	-	-	-	-	-	-	202,576	328,793			
State government	10,755	66,089	-	564,684	-	-	-	-	-	-	641,528	156,355			
County government	195,763	9,879	-	-	-	-	-	-	-	-	205,642	163,800			
Municipal court	107,195	28,392	-	-	-	-	-	-	-	-	135,587	116,362			
Funds	370,526	-	1,000	-	-	-	-	-	-	-	371,526	464,726			
Inventory	-	9,252	-	-	12,446	7,096	-	-	-	-	28,794	34,103			
Deferred charge	-	-	-	-	105,694	-	-	-	-	-	105,694	113,824			
Net property and equipment	-	-	-	-	29,286,445	18,980	-	26,551,077	-	-	55,856,502	52,062,066			
Available in Debt Service Funds	-	-	-	-	-	-	-	-	22,106	-	22,106	28,182			
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	-	7,788,712	-	7,788,712	6,462,300			
Total assets	\$ 3,900,869	\$ 4,575,718	\$ 22,106	\$ 2,981,051	\$ 40,300,917	\$ 1,374,747	\$ 398,388	\$ 26,551,077	\$ 7,810,818	\$ 7,810,818	\$ 87,915,691	\$ 80,378,665			

Continued

City of Delaware, Ohio
 Combined Balance Sheet--All Fund Types and Account Groups
 As of December 31, 1998

Liabilities and Fund Equity	Governmental Fund Types				Fiduciary Fund Types			Account Groups		Totals	
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	1998	1997
Accounts payable	\$ 81,249	\$ 146,661	\$ -	\$ 688,321	\$ 181,275	\$ 6,861	\$ -	\$ -	\$ -	\$ 1,104,367	\$ 749,851
Customer deposits	-	-	-	-	154,978	-	-	-	-	154,978	143,269
Accrued liabilities	568,227	90,948	-	-	574,213	165,011	-	-	-	3,911,217	3,610,228
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	691
Payables from restricted assets:	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	31,068	-	-	-	-	31,068	32,265
Due to:	-	-	-	-	-	-	-	-	-	-	-
Other funds	-	280,959	-	89,567	1,000	-	-	-	-	371,526	464,726
Others	-	-	-	7,057	-	-	-	-	-	7,057	9,934
Delaware Municipal Court	-	-	-	-	-	-	367,744	-	-	367,744	309,496
Notes payable	-	-	-	-	-	-	-	3,010,000	-	3,010,000	1,400,000
Deferred revenue	672,354	192,119	-	-	-	-	-	-	-	864,473	802,579
Landfill closure obligation	-	-	-	-	372,265	-	-	-	-	372,265	372,265
Revenue bonds and loan payable	-	-	-	-	4,309,970	-	-	-	-	4,309,970	4,560,708
General obligation bonds payable	-	-	-	-	-	-	-	2,285,000	-	2,285,000	2,947,000
Total liabilities	1,321,830	710,687	-	784,945	5,621,769	171,872	367,744	7,810,818	-	16,789,665	15,403,012
Fund equity:	-	-	-	-	-	-	-	-	-	-	-
Investment in general fixed assets	-	-	-	-	-	-	-	26,551,077	-	26,551,077	23,683,099
Contributed capital	-	-	-	-	13,733,622	-	-	-	-	13,733,622	13,571,238
Retained earnings	-	-	-	-	20,945,526	1,202,875	-	-	-	22,148,401	19,759,041
Fund balances:	-	-	-	-	-	-	-	-	-	-	-
Reserved for encumbrances	228,527	482,472	-	1,907,121	-	-	-	-	-	2,618,120	3,154,166
Reserved for prepaid expenses	23,520	2,323	-	-	-	-	-	-	-	25,843	38,244
Reserved for loans	-	-	-	-	-	-	-	-	-	-	-
Unreserved	2,326,992	3,380,236	22,106	288,985	-	-	30,644	-	-	6,048,963	4,769,865
Total retained earnings/ fund balances	2,579,039	3,865,031	22,106	2,196,106	20,945,526	1,202,875	30,644	-	-	30,841,327	27,721,316
Total fund equity	2,579,039	3,865,031	22,106	2,196,106	34,679,148	1,202,875	30,644	26,551,077	-	71,126,026	64,975,653
Total liabilities and fund equity	\$ 3,900,869	\$ 4,575,718	\$ 22,106	\$ 2,981,051	\$ 40,300,917	\$ 1,374,747	\$ 398,388	\$ 26,551,077	\$ 7,810,818	\$ 87,915,691	\$ 80,378,665

The accompanying notes are an integral part of these general-purpose financial statements.

**City of Delaware, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Fund Types
 and Expendable Trust Funds
 For the Year Ended December 31, 1998**

	Governmental Funds			Fiduciary Fund Type Expendable Trust Funds	Total (Memorandum Only)
	General	Special Revenue	Debt Service Projects		
Revenues:					
Income taxes	\$ 5,259,425	\$ 3,258,009	-	-	\$ 8,517,434
Intergovernmental	2,469,469	1,232,152	\$ 2,358,233	-	6,059,854
Charges for service	796,903	389,465	-	\$ 36,700	1,223,068
Property and other taxes	1,014,169	213,191	-	-	1,227,360
Fines for municipal violations	176,954	-	-	-	176,954
Miscellaneous	673,071	181,275	\$ 1,291	3,890	873,951
	<u>10,389,991</u>	<u>5,274,092</u>	<u>1,291</u>	<u>40,590</u>	<u>18,078,621</u>
Total revenues			2,372,657		16,140,387
Expenditures:					
Current:					
Public safety	5,582,948	599	-	-	5,583,547
General government	3,951,549	-	123,421	2,520	4,077,490
Airport and public works	-	1,303,544	-	-	1,303,544
Recreation and parks	-	764,844	-	7,307	772,151
Public health	-	12,721	-	-	12,721
Capital outlay	216,796	591,098	-	-	5,851,893
Debt service:			5,043,999		
Principal retirement	-	-	-	-	1,907,000
Interest and fiscal charges	-	-	201,602	-	201,602
	<u>9,751,293</u>	<u>2,672,806</u>	<u>2,108,602</u>	<u>9,827</u>	<u>19,709,948</u>
Total expenditures			5,167,420		15,869,660
Excess (deficiency) of revenues over expenditures	638,698	2,601,286	(2,107,311)	30,763	(1,631,327)
270,727					

Continued

City of Delaware, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Fund Types
and Expendable Trust Funds
For the Year Ended December 31, 1998

	Governmental Funds			Fiduciary	Total	
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust Fund	(Memorandum Only)
Other financing sources (uses):						
Proceeds from notes	-	-	1,255,000	1,755,000	-	3,010,000
Operating transfers in	3,135,139	1,491,250	846,235	1,209,645	-	6,682,269
Operating transfers out	(3,644,171)	(3,423,285)	-	(310,615)	(590)	(7,378,661)
Investment income	-	-	-	47,921	-	47,921
Total other financing sources	(509,032)	(1,932,035)	2,101,235	2,701,951	(590)	2,361,529
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	129,666	669,251	(6,076)	(92,812)	30,173	730,202
Fund balance, beginning of year	2,449,373	3,195,331	28,182	2,288,918	471	7,962,275
Fund balances, end of year	\$ 2,579,039	\$ 3,864,582	\$ 22,106	\$ 2,196,106	\$ 30,644	\$ 8,692,477
						\$ 7,962,275

The accompanying notes are an integral part of these general-purpose financial statements.

**City of Delaware, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—All Governmental Fund Types
 For the Year Ended December 31, 1998 (Non—GAAP Budget Basis)**

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:												
Income taxes	5,303,166	5,383,731	80,565	3,181,899	3,229,040	47,141	-	-	-	-	-	-
Intergovernmental	2,361,000	2,413,373	52,373	2,170,629	1,213,385	(957,244)	-	-	-	2,741,542	2,020,007	(721,535)
Charges for service	996,000	796,903	(199,097)	476,836	391,825	(85,011)	-	-	-	-	-	-
Property and other taxes	1,146,500	1,014,672	(131,828)	194,714	213,191	18,477	-	-	-	-	-	-
Fines for municipal violations	195,000	176,954	(18,046)	-	-	-	-	-	-	-	-	-
Miscellaneous	604,000	731,122	127,122	134,500	190,801	56,301	250	1,417	1,167	33,000	69,865	37,865
Total revenues	10,605,666	10,516,755	(88,911)	6,158,578	5,238,242	(920,336)	250	1,417	1,167	2,773,542	2,089,872	(683,670)
Expenditures:												
Current:												
Public safety	5,933,156	5,546,505	386,651	39,000	-	39,000	-	-	-	-	-	-
General government	4,460,549	4,102,075	358,474	-	-	-	-	-	-	234,332	175,445	58,887
Airport and public works	-	-	-	1,948,503	1,368,616	579,887	-	-	-	-	-	-
Recreation and parks	-	-	-	851,713	783,219	68,494	-	-	-	-	-	-
Income tax refund	173,250	172,588	662	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-	-	-	-
Public health	-	-	-	674,000	111,507	562,493	-	-	-	-	-	-
Capital outlay	247,293	221,448	25,845	2,268,443	851,512	1,416,931	-	-	-	7,436,894	6,609,406	827,488
Debt service:												
Principal retirement	-	-	-	-	-	-	1,907,000	1,907,000	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	203,000	201,602	1,398	-	-	-
Total expenditures	10,814,248	10,042,616	771,632	5,781,659	3,114,854	2,666,805	2,110,000	2,108,602	1,398	7,671,226	6,784,851	886,375
Excess (deficiency) of revenues over expenditures	(208,582)	474,139	682,721	376,919	2,123,388	1,746,469	(2,109,750)	(2,107,185)	2,565	(4,897,684)	(4,694,979)	202,705

Continued

**City of Delaware, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—All Governmental Fund Types
 For the Year Ended December 31, 1998 (Non-GAAP Budget Basis)**

	General Fund		Special Revenue Funds		Debt Service Funds		Capital Projects Funds	
	Revised Budget	Actual	Favorable (Unfavorable)	Variance Favorable (Unfavorable)	Revised Budget	Actual	Favorable (Unfavorable)	Variance Favorable (Unfavorable)
Other financing sources (uses):								
Proceeds of note issuance	-	-	-	-	1,255,000	1,255,000	-	1,755,000 (1,000,000)
Proceeds of bond issuance	-	-	-	-	-	-	-	-
Operating transfers in	3,117,335	3,118,462	1,127	148,500	850,000	846,235	(3,765)	(607,227)
Operating transfers out	(3,862,840)	(3,644,171)	218,669	(87,472)	-	-	-	44,804
Total other financing sources (uses)	(745,505)	(525,709)	219,796	235,972	2,105,000	2,101,235	(3,765)	4,216,453 (1,562,423)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(954,087)	(51,570)	902,517	1,982,441	(4,750)	(5,950)	(1,200)	(681,231) (2,040,949) (1,359,718)
Fund balances, beginning of year	1,601,347	1,601,347	-	3,147,538	27,056	27,056	-	2,266,315
Fund balances, end of year	\$ 647,260	\$ 1,549,777	\$ 902,517	\$ 1,982,441	\$ 22,306	\$ 21,106	\$ (1,200)	\$ 1,585,084 \$ 225,366 \$ (1,359,718)

City of Delaware, Ohio
Combined Statement of Revenues, Expenses and Changes in Retained
Earnings—All Proprietary Fund Types
For the Year Ended December 31, 1998

	Proprietary Fund Types		Total (Memorandum Only)	
	Enterprise	Internal	1998	1997
		Service		
Operating revenues:				
Charges for services	\$ 7,652,577	\$ 374,354	\$ 8,026,931	\$ 8,456,795
Total revenue	<u>7,652,577</u>	<u>374,354</u>	<u>8,026,931</u>	<u>8,456,795</u>
Operating expenses:				
Personal services	2,024,303	85,301	2,109,604	2,092,251
Depreciation	1,304,975	4,185	1,309,160	1,251,856
Contractual services	1,221,964	1,424,546	2,646,510	2,357,825
Materials and supplies	435,225	207,875	643,100	631,256
Total operating expenses	<u>4,986,467</u>	<u>1,721,907</u>	<u>6,708,374</u>	<u>6,333,188</u>
Operating income	<u>2,666,110</u>	<u>(1,347,553)</u>	<u>1,318,557</u>	<u>2,123,607</u>
Nonoperating revenues (expenses):				
Intergovernmental	-	-	-	4,706
Interest revenue	517,380	-	517,380	503,858
Interest expense	(238,215)	-	(238,215)	(282,689)
Other, net	(442,990)	-	(442,990)	(250,053)
Net nonoperating revenues (expenses)	<u>(163,825)</u>	<u>-</u>	<u>(163,825)</u>	<u>(24,178)</u>
Income before operating transfers	2,502,285	(1,347,553)	1,154,732	2,099,429
Operating transfers (out) in	<u>(1,219,171)</u>	<u>1,915,562</u>	<u>696,391</u>	<u>(795,042)</u>
Net income after operating transfers	1,283,114	568,009	1,851,123	1,304,387
Add depreciation on fixed assets acquired by contributed capital	<u>538,238</u>	<u>-</u>	<u>538,238</u>	<u>514,002</u>
Increase in retained earnings	1,821,352	568,009	2,389,361	1,818,389
Retained earnings, beginning of year	<u>19,124,174</u>	<u>634,867</u>	<u>19,759,041</u>	<u>17,940,652</u>
Retained earnings, end of year	<u>\$ 20,945,526</u>	<u>\$ 1,202,876</u>	<u>\$ 22,148,402</u>	<u>\$ 19,759,041</u>

The accompanying notes are an integral part of these general-purpose financial statements.

City of Delaware, Ohio
Combined Statement of Cash Flows—All Proprietary Fund Types
For the Year Ended December 31, 1998

	<u>Proprietary Fund Types</u>		<u>Total</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>	
			<u>1998</u>	<u>1997</u>
Cash flows from operating activities:				
Operating income	\$ 2,666,110	\$ (1,347,553)	\$ 1,318,557	\$ 2,123,607
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,304,975	4,185	1,309,160	1,251,856
Deferred charge amortization	8,130	-	8,130	8,130
Increase (decrease) due to changes in operating assets and liabilities:				
Net receivables	(124,223)	-	(124,223)	(44,286)
Accounts payable	24,087	(15,409)	8,678	73,747
Accrued liabilities	(21,762)	25,339	3,577	21,665
Inventory	(706)	-	(706)	7,264
Net cash provided by (used in) operating activities	<u>3,856,611</u>	<u>(1,333,438)</u>	<u>2,523,173</u>	<u>3,441,983</u>
Cash flows from noncapital financing activities:				
Operating transfers (out) in	<u>(1,219,171)</u>	<u>1,915,562</u>	<u>696,391</u>	<u>(795,042)</u>
Net cash (used in) provided by noncapital financing activities	<u>(1,219,171)</u>	<u>1,915,562</u>	<u>696,391</u>	<u>(795,042)</u>

Continued

City of Delaware, Ohio
Combined Statement of Cash Flows—All Proprietary Fund Types
For the Year Ended December 31, 1998

	<u>Proprietary Fund Types</u>		<u>Total</u>	
	<u>Enterprise</u>	<u>Internal</u>	<u>(Memorandum Only)</u>	
		<u>Service</u>	<u>1998</u>	<u>1997</u>
Cash flows from capital and related financing activities:				
Purchases of property, plant and equipment	\$ (1,535,126)	\$ -	\$ (1,535,126)	\$ (1,105,154)
Interest paid	(240,103)	-	(240,103)	(284,486)
Principal payments on bonds, notes and loans	(405,738)	-	(405,738)	(398,185)
Other	(442,991)	-	(442,991)	(245,348)
Net cash used in capital and related financing activities	<u>(2,623,958)</u>	<u>-</u>	<u>(2,623,958)</u>	<u>(2,033,173)</u>
Cash flows from investing activities:				
Interest received	<u>517,380</u>	<u>-</u>	<u>517,380</u>	<u>503,858</u>
Increase in cash and investments	530,862	582,124	1,112,986	1,117,626
Cash and investments, beginning of year	<u>9,411,984</u>	<u>766,547</u>	<u>10,178,531</u>	<u>9,060,905</u>
Cash and investments, end of year	<u>\$ 9,942,846</u>	<u>\$ 1,348,671</u>	<u>\$ 11,291,517</u>	<u>\$ 10,178,531</u>

During 1998 and 1997, contributed fixed assets with fair market values of \$700,623 and \$1,375,982, respectively, were acquired by the Enterprise Funds.

The accompanying notes are an integral part of these general-purpose financial statements.

City of Delaware, Ohio
Notes to the General-Purpose Financial Statements
December 31, 1998

1. Summary of Significant Accounting Policies

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

The accompanying general-purpose financial statements include all the organizations, activities and functions in which the City (the primary government) is considered to be financially accountable. The Delaware Municipal Court's (the "Court") activities are included within these general-purpose financial statements as required by Governmental Accounting Standard No. 14, *The Financial Reporting Entity*. The City includes the Court's cash balance and liability to others within its agency funds (\$367,744 at December 31, 1998), and the City's share of Court fines collected and operating expenditures in the General Fund.

The Court serves as the Court of record and has jurisdiction within Delaware County. The City is responsible for financing Court operations and has recorded Court operating expenditures in the General Fund. The City, however, has no ability to select or influence Court management and cannot dictate budget and other fiscal matters. The Court is presided over by a separately elected judge who has the authority to select and appoint all officials of the Court and to direct the Court's activity.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of its significant accounting policies:

Basis of presentation—Fund Accounting. The accounting system is operated on a fund basis. A fund is defined as a fiscal and accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The various funds are summarized by type in the general-purpose financial statements. The City uses the following fund types and account groups:

◆ *Governmental funds*

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

City of Delaware, Ohio
Notes to the General-Purpose Financial Statements
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Special revenue funds—Special Revenue Funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources. The uses and limitations of each Special Revenue Fund are specified by City ordinances or federal or state statutes.

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

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

◆ Proprietary funds

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

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

◆ Fiduciary funds

Trust and agency funds—Trust and Agency Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Expendable Trust Funds are accounted for and reported as Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

◆ Account groups

General fixed assets account group—This Account Group reflects the costs of fixed assets of the City other than those accounted for in the Proprietary Funds.

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

City of Delaware, Ohio
Notes to the General-Purpose Financial Statements
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Basis of accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

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

The modified accrual basis of accounting is followed by the Governmental Funds, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, other than principal and interest on long-term debt, which are recorded when due, and the noncurrent portion of compensated absences, which is recorded in the General Long-Term Obligations Account Group.

The following revenue sources are deemed to be both measurable and available: interest earnings, income tax withholdings, hotel taxes, rents, billings for services and materials, and certain intergovernmental revenues.

Property taxes measurable as of December 31, 1998, but which are not intended to finance 1998 operations, are recorded as deferred revenues.

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

Proprietary type funds are accounted for using the accrual basis of accounting (i.e., revenues are recognized when earned and expenses are recognized when incurred).

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

1. Prior to November 15, the City Manager submits to City Council an estimate of the expenditures necessary to conduct the affairs of the City for the fiscal year commencing the following January 1.
2. Budget estimates are distributed throughout the City (including newspapers and libraries), and public hearings are held to obtain taxpayers' comments.
3. Prior to January 1 and after publication of the proposed budget ordinances, the budget is legally enacted by ordinance.
4. Supplemental appropriations and transfers of appropriations between funds and departments must be approved by City Council.

City of Delaware, Ohio
Notes to the General-Purpose Financial Statements
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5. Expenditures cannot legally exceed appropriations at the department level. Unencumbered appropriations lapse at year-end, and encumbered appropriations are reported as expenditures in the current year.

Expenditures did not exceed appropriations at the legal level of control.

Appropriations exceeded Certified Estimated Resources in the following funds:

- Street Maintenance and Repair Fund
- Community Development Block Grant Fund
- Sewer Construction Fund

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

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

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

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

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

City of Delaware, Ohio
Notes to the General-Purpose Financial Statements
December 31, 1998

Cash and investments. For purposes of reporting Proprietary Fund cash flows, the proprietary funds' equity in pooled cash and investments is considered to be cash and cash equivalents, since they are available to the Proprietary Funds on demand.

Property, plant and equipment—governmental funds. Fixed assets purchased for general governmental purposes are recorded as expenditures in the Governmental Funds and capitalized at cost (or estimated historical cost) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the time received.

Fixed assets consisting of certain improvements other than buildings—including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems—have not been capitalized. These assets normally are immovable and of value only to the City. Therefore, stewardship for capital expenditures can be satisfied without recording these assets.

Dispositions are accounted for as reductions of the capitalized cost (and related accumulated depreciation for Proprietary Fund fixed assets). Any proceeds associated with such disposition are reflected as other financing sources in Governmental Funds. The gain or loss (net of proceeds) is charged to operations of Proprietary Funds.

No depreciation has been provided on general fixed assets nor has interest on construction in progress been capitalized.

Property and equipment—proprietary funds. Property and equipment acquired by the Proprietary Funds are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. The original cost of the water and sewer distribution systems was not available. Accordingly, such costs were estimated using standard industry assumptions as determined by an outside consultant. Contributed fixed assets are recorded at fair market value at the time received. Depreciation has been provided using the straight-line method over the following estimated useful lives:

	<u>Estimated Lives (Years)</u>
Auto and trucks	5-8
Machinery, equipment, furniture and fixtures	10-25
Buildings	25
Sewers and water mains	25-100

Contributed capital. Contributions of capital assets recorded in the Proprietary Funds are credited directly to contributed capital. These include endowments, donations, plant and equipment donated by developers and other governments and Proprietary Fund capital assets purchased with Governmental Fund revenues. Depreciation on contributed fixed assets is allocated to contributed capital.

City of Delaware, Ohio
Notes to the General-Purpose Financial Statements
December 31, 1998

Insurance. The City is insured with private carriers for most risks including property damage, personal injury, bodily injury and public official liability. Uninsured judgments and claims are recorded when it is probable that either an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The City is self-insured for employee medical and dental coverage up to a stop-loss limit. These medical and dental activities are accounted for in an Internal Service Fund.

Compensated absences. City employees are granted vacation and sick leave in amounts which vary by length of service. Other compensated absences are calculated based on paid contract provisions. In the event of termination, employees are reimbursed for vested vacation, sick leave, and other compensated absences at the employee's current wage.

Vested vacation, sick leave, and other compensated absences accumulated by employees paid from Governmental Funds has been recorded in the General Long-Term Obligations Account Group. Vested vacation, sick leave, and other compensated absences accumulated by employees paid from Proprietary Funds is recorded as an expense and liability of the related Proprietary Fund when earned by the employee.

Payment of vacation, sick leave, and other compensated absences is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that payment of vacation, sick leave, and other compensated absences will not have a materially adverse impact on the availability of the City's cash balances.

Comparative data. Financial totals data for the prior year have been presented in certain of the accompanying general-purpose financial statements in order to provide an understanding of overall changes in the City's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in the general-purpose financial statements, since their inclusion would make the statements unduly complex and difficult to read.

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

Accounting and financial reporting for proprietary funds. The City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its Proprietary Fund activities.

2. Change in Accounting Principles

For 1998, the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement establishes accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at market value.

The City also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan (OPEDCP). On September 1, 1998, the OPEDCP created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the OPEDCP is no longer presented as part of the City's financial statements.

City of Delaware, Ohio
Notes to the General-Purpose Financial Statements
December 31, 1998

3. Cash and Investments

The City pools all individual fund cash balances for investment purposes, except for investments with fiscal agents and funds established to comply with restrictive enterprise fund bond covenants.

Deposits. At December 31, 1998, the carrying amount of the City's deposits was \$472,841, and the bank balance was \$847,222. Of the bank balance, \$244,967 was covered by federal depository insurance, \$379,888 was covered by collateral held in the pledging banks' trust department in the City's name and \$222,367 was covered by public deposit collateral pools and not held in the City's name.

Investments. The City carries its investments at market value. The Ohio Revised Code authorizes the City to invest in repurchase agreements, securities of the federal government, securities of eligible financial institutions and certain other securities which mature within two years from purchase date. It is management's policy to invest in the State Treasury Asset Reserve of Ohio (STAR Ohio, managed by the Treasurer of the State of Ohio), the NCC Trust (a money-market-type investment managed by National City Bank and used for the City's restricted trust monies) and repurchase agreements. The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

	Category			Carrying Amount	Market Value
	1	2	3		
Government securities	\$ 461,048	\$ -	\$ 63,240	\$ 461,048	\$ 461,048
NCC trust	-	-	-	63,240	63,240
	<u>461,048</u>	<u>-</u>	<u>63,240</u>	524,288	524,288
In addition, the City has the following investments which are not categorized:					
Investments in STAR Ohio				<u>18,462,712</u>	<u>18,462,712</u>
Total investments				<u>\$ 18,987,000</u>	<u>\$ 18,987,000</u>

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

4. Receivables

Receivables at December 31, 1998 consist of the following:

	<u>Income Taxes</u>	<u>Property Taxes</u>	<u>Hotel Taxes</u>	<u>Customer Charges</u>	<u>Other Service Charges</u>	<u>Gross Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net</u>
General	\$ 696,335	\$ 672,353	\$ 3,835	\$ 104,415	\$ 70,713	\$ 1,547,651	\$ 49,117	\$ 1,498,534
Special revenue	417,801	192,119	-	8,630	-	618,550	5,561	612,989
Enterprise:								
Water	-	-	-	480,868	2,197	483,065	84,414	398,651
Sewer	-	-	-	469,541	1,257	470,798	77,616	393,182
Other enterprise	-	-	-	165,076	650	165,726	41,796	123,930
Total enterprise	-	-	-	1,115,485	4,104	1,119,589	203,826	915,763
Total	\$ 1,114,136	\$ 864,472	\$ 3,835	\$ 1,228,530	\$ 74,817	\$ 3,285,790	\$ 258,504	\$ 3,027,286

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

5. Due From Other Governments

At December 31, 1998, intergovernmental receivables were as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Due from:				
Federal government:				
Federal Aviation Administration	\$ -	\$ -	\$ 194,312	\$ 194,312
Office of Community Oriented Policing Services (COPS)	-	-	-	-
Community Police Block Grant	8,264	-	-	8,264
State government:				
License fees and gasoline taxes	-	56,034	-	56,034
Local government funds	10,755	-	-	10,755
State revenue sharing	-	-	-	-
Ohio Department of Trans. Airport	-	-	73,684	73,684
Ohio Department of Development	-	10,055	491,000	501,055
Local government:				
Delaware County (reimbursement for personal services)	122,355	-	-	122,355
Local government funds - County	73,408	-	-	73,408
License fees and gasoline taxes	-	9,879	-	9,879
Municipal court	<u>107,195</u>	<u>28,392</u>	<u>-</u>	<u>135,587</u>
	<u>\$ 321,977</u>	<u>\$ 104,360</u>	<u>\$ 758,996</u>	<u>\$ 1,185,333</u>

6. Interfund Receivables and Payables

Interfund balances at December 31, 1998 consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 370,526	
Special Revenue:		
Rental Rehab		\$ 2,425
Community Police Block Grant		-
Fire/EMS income tax		278,534
Police and Fire pension		-
Debt Service	1,000	
Capital Projects:		
Federal Aviation Administration airport expansion		89,567
Enterprise:		
Sewer		<u>1,000</u>
	<u>\$ 371,526</u>	<u>\$ 371,526</u>

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
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7. Property and Equipment

A summary of Proprietary Fund type property, plant and equipment at December 31, 1998 is as follows:

	<u>Enterprise</u>				<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>	
Land	\$ 445,462	\$ 2,500	\$ 442,649	\$ 890,611	\$ -
Buildings	5,618,066	11,181,072	20,919	16,820,057	-
Improvements other than buildings	10,338,657	15,758,548	-	26,097,205	-
Machinery and equipment	936,517	971,857	1,232,933	3,141,307	74,061
Construction in progress	604,594	437,359	-	1,041,953	-
	17,943,296	28,351,336	1,696,501	47,991,133	74,061
Less accumulated depreciation	<u>6,678,561</u>	<u>11,075,444</u>	<u>950,683</u>	<u>18,704,688</u>	<u>55,081</u>
Net property and equipment	<u>\$ 11,264,735</u>	<u>\$ 17,275,892</u>	<u>\$ 745,818</u>	<u>\$ 29,286,445</u>	<u>\$ 18,980</u>

Construction in progress of the Water Fund consists primarily of \$297,069 expended to install ground wells at the treatment plant and \$245,669 for installing water lines. Construction in progress of the Sewer Fund consists primarily of \$127,544 for the downtown sewer rehabilitation and \$127,948 for installation of an electronic metering system at that sewer plant.

A summary of changes in general fixed assets follows:

	<u>Balance January 1, 1998</u>	<u>1998 Additions</u>	<u>1998 Deletions</u>	<u>Balance December 31, 1998</u>
General fixed assets:				
Land	\$ 1,090,061	-	-	\$ 1,090,061
Buildings and improvements	10,910,219	\$ 1,213,938	-	12,124,157
Machinery and equipment	5,760,915	538,879	\$ 80,627	6,219,167
Construction in progress	5,921,905	2,192,304	996,517	7,117,692
	<u>\$ 23,683,100</u>	<u>\$ 3,945,121</u>	<u>\$ 1,077,144</u>	<u>\$ 26,551,077</u>

General fixed asset construction in progress consists primarily of \$6,931,602 for the expansion of the airport runway.

As of December 31, 1998, the City had committed to approximately \$500,000 under construction contracts to complete these projects.

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

8. General Long-Term Obligations and Notes Payable

A summary of long-term obligations and notes payable for the year ended December 31, 1998 is as follows:

<u>Fund Type/Account Group</u>	<u>Balance January 1, 1998</u>	<u>1998 Additions</u>	<u>1998 Deletions</u>	<u>Balance December 31, 1998</u>
General long-term obligations:				
Accrued liabilities:				
Compensated absences	\$ 1,711,289	129,779	-	\$ 1,841,068
Past service pension obligation for police and firemen (Note 10)	357,691	-	\$ 3,933	353,758
Pension buyout obligation for PERS (Note 10)	229,502	\$ 91,490	-	320,992
Notes payable for fire station	1,400,000	-	145,000	1,255,000
Notes payable for Downtown Streetscape Phase I	-	1,755,000	-	1,755,000
General obligation bonds, at 3.0% to 5.4%	<u>2,792,000</u>	<u>-</u>	<u>507,000</u>	<u>2,285,000</u>
Total general long-term obligations	<u>6,490,482</u>	<u>1,976,269</u>	<u>655,933</u>	<u>7,810,818</u>
Enterprise:				
Sewer:				
Mortgage revenue bonds, at 4.3% to 6.0%	4,510,000	-	200,000	4,310,000
OWDA loan, at 5.3%	50,738	-	50,738	-
Water:				
General obligation bonds, at 5.3%	<u>155,000</u>	<u>-</u>	<u>155,000</u>	<u>-</u>
Total enterprise fund debt	<u>4,715,738</u>	<u>-</u>	<u>405,738</u>	<u>4,310,000</u>
Total notes payable and long-term obligations	<u>\$11,206,220</u>	<u>\$ 1,976,269</u>	<u>\$ 1,061,671</u>	<u>\$12,120,818</u>

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

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
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In conjunction with the issuance of the Sewer Mortgage Revenue Bonds, the City entered into a trust agreement with a commercial bank. The trust agreement requires the City to hold restricted assets for the cost of constructing and replacing property and equipment and repaying debt. Restricted assets relating to the Sewer Mortgage Revenue Bonds consisted of the following at December 31, 1998:

Restricted assets held by the City:	
Replacement and Improvement Fund	<u>\$ 480,000</u>
Restricted assets held by the trustee:	
Bond Reserve Fund	461,015
Bond Principal/Interest Fund	<u>38,043</u>
	<u>499,058</u>
Accrued interest receivable on investments held by the trustee	<u>25,230</u>
Total restricted assets	<u>\$ 1,004,288</u>

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

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

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

The following tables summarize the City's future bond, note and loan debt service requirements as of December 31, 1998:

<u>Year Ending December 31,</u>	<u>General Long-Term Debt</u>	
	<u>General</u>	
	<u>Obligation</u>	<u>Interest</u>
	<u>Bonds</u>	
1999	\$ 530,000	\$ 120,675
2000	555,000	93,645
2001	585,000	64,507
2002	<u>615,000</u>	<u>33,210</u>
Total	<u>\$ 2,285,000</u>	<u>\$ 312,037</u>

<u>Year Ending December 31,</u>	<u>Enterprise-Sewer Fund</u>	
	<u>Revenue</u>	
	<u>Bonds</u>	<u>Interest</u>
1999	\$ 210,000	\$ 246,515
2000	225,000	236,015
2001	235,000	224,540
2002	245,000	212,320
2003-2012	260,000	199,335
2004-2012	<u>3,135,000</u>	<u>1,002,825</u>
Total	<u>\$ 4,310,000</u>	<u>\$ 2,121,550</u>

The various general obligation bond indentures contain no Sinking Fund requirements or significant bond indenture limitations and restrictions.

All general obligation bonds are backed by the full faith and credit of the City. However, it is the City's policy to pay debt service for the Enterprise Funds' debt from the revenues of those funds. Accordingly, such debt is reported in those funds. Any deficiency will be paid from the City's General Fund.

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
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The loan payable to the Ohio Water Development Authority (OWDA) is a revenue obligation incurred to help finance the construction of a sewage treatment plant and is to be repaid from charges for services. The loan is unsecured and does not pledge any fixed assets of the Sewer Fund or require the application of the City's general resources for repayment. However, the loan agreement requires the City to charge utility rates which would produce net income sufficient to service debt of the loan payable. During 1998, this loan was paid.

The Ohio Revised Code (ORC) provides that the net general obligation debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 1998, the City's total net debt and unvoted net debt were approximately 2.7% of the total assessed value of all property within the City.

As of December 31, 1998, the City had no debt approved by the voters or Council which had not been issued.

The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with Delaware County and the Delaware City School District. As of December 31, 1998, these entities have complied with the requirement that overlapping debt must not exceed 1% (10 mills) of the assessed property value.

In prior years, the City defeased certain sewer revenue bonds by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 1998, \$1,710,000 of bonds outstanding are considered defeased.

9. Contributed Capital

Property, plant and equipment acquired from grants, donation or entitlements are recorded as contributed capital. A summary of changes in contributed capital follows:

	<u>Enterprise</u>			<u>Total</u>
	<u>Sewer</u>	<u>Water</u>	<u>Other Enterprise</u>	
Balance at January 1, 1998	\$ 9,904,299	\$ 3,499,582	\$ 167,357	\$ 13,571,238
Additions	382,529	318,093	-	700,622
Depreciation	<u>(454,183)</u>	<u>(71,455)</u>	<u>(12,600)</u>	<u>(538,238)</u>
Balance at December 31, 1998	<u>\$ 9,832,645</u>	<u>\$ 3,746,220</u>	<u>\$ 154,757</u>	<u>\$ 13,733,622</u>

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

10. Defined Benefit Pension Plans and Postemployment Benefits

Plan Description. Police and firemen are covered by the Police and Firemen's Disability and Pension Fund of Ohio ("Police and Fire"). Substantially all other City employees are covered by the Public Employees Retirement System of Ohio ("PERS"). Police and Fire and PERS (the "Systems") are both statewide, cost-sharing, multiple-employer defined benefit pension plans which provide pension and disability benefits to qualified participants, and death benefits to qualified beneficiaries. Benefits are established by state statute. Police and Fire and PERS each issue a publicly available financial report that includes financial statements and required supplementary information. The Police and Fire report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-3781. The PERS report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

Funding policy. Contributions to the Systems are established by the ORC and are based on percentages of employees' salaries. In addition to paying the employer's share as required by the ORC, the City also pays a portion of the employee's share. Contribution rates for the Systems at December 31, 1998 were as follows:

	<u>Employee Share</u>		<u>Employer Share</u>	<u>Total</u>
	<u>Paid by City</u>	<u>Paid by Employees</u>		
Police and Fire:				
Police patrol	10.00%	0.00%	19.50%	29.50%
Police sergeants	10.00%	0.00%	0.00%	10.00%
Police management	8.50%	1.50%	19.50%	29.50%
Firefighters	10.00%	0.00%	24.00%	34.00%
Fire management	8.50%	1.50%	24.00%	34.00%
PERS	8.50%	0.00%	13.55%	22.05%

The City's contributions for the year ended December 31, 1998, and for each of the two preceding years is as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Police and Fire</u>			<u>PERS</u>		
	<u>Employee Share</u>	<u>Employer Share</u>	<u>Total</u>	<u>Employee Share</u>	<u>Employer Share</u>	<u>Total</u>
1996	263,892	572,707	836,599	389,180	620,400	1,009,580
1997	278,618	605,229	883,847	422,883	673,956	1,096,839
1998	301,392	655,247	956,639	455,332	726,150	1,181,482

In addition to the retirement benefits described above, the Systems provide postretirement health care benefits.

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

Police and Fire provides postemployment health care benefits to all qualified retirees or benefit recipients. The employer's contributions are financed on a pay-as-you-go basis. Currently, 6.5 percent of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. At December 31, 1997, the total number of benefit recipients eligible for OPEB through Police and Fire was 11,239 for Police and 9,025 for Firefighters.

PERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 employer contribution rate was 13.55 percent of covered payroll for employees not engaged in law enforcement; 5.11 percent was the portion that was used to fund health care for the year 1998. Effective January 1, 1998 4.2 percent of each employer contribution will be used to fund health care.

For 1998, benefits were funded on a pay-as-you go basis. Prior to 1998, benefits were advanced funded using the entry age normal cost method. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree healthcare along with investment income on allocated assets and periodic adjustments in health care provision are expected to be sufficient to sustain the program indefinitely. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for further OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579.

City employees covered under PERS may elect to take an early retirement either four or five years before regular retirement age. This early retirement option is available until the year 2000. At the time of early retirement, the City agrees to buyout the pension costs for the period remaining until regular retirement. PERS allows the City to pay the buyout amount in either a lump-sum payment or to make equal annual payments over the period. The City has elected to spread the buyout costs over the period. As of December 31, 1998, \$320,992 of the buyout liability is included in the General Long-Term Obligations Account Group and \$102,005 is included in accrued liabilities for the Enterprise Funds.

The City also makes semiannual payments to Police and Fire for its portion of past service costs determined at the time Police and Fire was established. All payments to date have been budgeted and paid from the General Fund. Payment from the General Fund is financed through an operating transfer from the Special Revenue Fund. The Special Revenue Fund receives property tax revenues equal to .6 mills, which are designated for the payment of pension liabilities. The unpaid balance of \$353,758 is included in the General Long-Term Obligations Account Group and is to be amortized in annual installments, including interest, of \$19,144 per year through May 2035. The liability for past service costs subsequent to the time PERS was established was assumed by the state; therefore, it is not a liability of the City.

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

11. Self-Insurance Fund

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

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

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

General	\$ 873,621
Special revenue	163,926
Enterprise:	
Sewer	99,009
Water	107,217
Other enterprise	<u>49,143</u>
Total enterprise	255,369
Internal service	<u>14,640</u>
Total employer contributions	1,307,556
Employee contributions	55,588
Cobra contributions	<u>936</u>
Total	<u>\$ 1,364,080</u>

The claims liability is accrued if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Self-Insurance Fund's claims liability in 1997 and 1998 were:

	Balance Beginning of <u>Year</u>	Current Year Claims	Claims Payments	Balance End of Year
1997	\$ 108,491	\$ 1,037,447	\$ (1,016,078)	\$ 129,860
1998	129,860	1,142,434	(1,120,816)	151,428

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

12. Income Taxes

The City collects an income tax of one and six-tenths percent of Delaware taxable income, defined as gross wages and salaries before any deductions and profits. Filing is mandatory for all residents.

Employers within the City are required to withhold tax on all employees working in the City and remit those monies on either a quarterly or monthly schedule. Employers are required to reconcile those withholdings on an annual basis.

13. Property Taxes

Property taxes include amounts levied against real, public utility and tangible (used in business) property located in the City. Real property taxes collected during 1998 had lien and levy dates of January 1, 1997. One half of this tax was due February 10, 1998, with the remaining balance due on July 10, 1998. Tangible personal property taxes had lien and levy dates of January 1, 1998. This tax was due on April 30, 1998.

Assessed values on real property are established by state law at 35 percent of appraised market value. A re-evaluation of all property is required to be completed no less than every six years. The last re-evaluation was completed in 1996. Tangible personal property assessments are 25 percent of true value (true values are based on cost and established by the state of Ohio). The assessed value, upon which the 1998 levy was based, was approximately \$350 million. The assessed value for 1998, upon which the 1998 levy will be based, is approximately \$367 million.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1 percent of assessed value without a vote of the people. Under current procedures, the City's share is .36 percent (3.63 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases.

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

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

14. Segments of Enterprise Activities

Significant financial data for the five services provided by the City which are intended to be financed by user charges for the year ended December 31, 1998 were as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Total</u>
Operating revenues	\$ 3,352,216	\$ 2,808,007	\$ 1,291,058	\$ 169,924	\$ 31,372	\$ 7,652,577
Operating expenses:						
Depreciation	416,457	819,472	59,358	8,251	1,437	1,304,975
Other	<u>1,380,327</u>	<u>1,286,388</u>	<u>864,422</u>	<u>120,136</u>	<u>30,219</u>	<u>3,681,492</u>
	<u>1,796,784</u>	<u>2,105,860</u>	<u>923,780</u>	<u>128,387</u>	<u>31,656</u>	<u>4,986,467</u>
Operating income	<u>1,555,432</u>	<u>702,147</u>	<u>367,278</u>	<u>41,537</u>	<u>(284)</u>	<u>2,666,110</u>
Operating transfers out	(469,583)	(461,095)	(283,184)	(5,309)	-	(1,219,171)
Net income (loss) after operating transfers	1,226,585	(97,254)	117,569	36,498	(284)	1,283,114
Total assets	16,865,777	21,681,132	1,278,401	244,337	231,270	40,300,917
Net working capital	5,223,241	3,980,233	707,325	83,187	12,676	10,006,662
Debt	-	4,309,970	-	-	-	4,309,970
Total Fund equity	16,462,935	17,039,543	714,151	234,655	227,864	34,679,148
Property, plant and equipment additions	2,239,955	892,717	113,677	23,024	14,370	3,283,743
Capital contributions	389,549	836,712	-	-	-	1,226,261

City of Delaware, Ohio
Notes to General-Purpose Financial Statements
December 31, 1998

15. Budget Basis of Accounting

The adjustments necessary to convert the results of operations and fund balances at end of the year on the GAAP basis to the budget basis are as follows:

	Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP basis	\$ 129,666	\$ 669,251	\$ (6,076)	\$ (92,812)
Increase (decrease):				
Due to revenues:				
Received in cash during 1998 but accrued at December 31, 1997	1,753,114	675,410	1,000	420,770
Accrued at December 31, 1998 but not yet received in cash	(1,844,031)	(735,255)	-	(758,996)
Due to encumbrances:				
Recognized as expenditures in 1997 budget	137,422	258,994	-	2,757,750
Expenditures of amounts encumbered for the year ended December 31, 1997	(224,777)	(482,472)	-	(1,907,121)
Due to expenditures:				
Paid in cash during 1998, accrued at December 31, 1997	(1,176,296)	(375,239)	-	(398,631)
Accrued at December 31, 1998, not yet encumbered	1,321,830	429,728	-	695,378
Due to transfers in recorded for GAAP purposes	(16,677)	-	-	-
Due to transfers out recorded for GAAP purposes	-	16,677	-	-
Other	(131,821)	(249,064)	(874)	(2,757,287)
 Budget basis	 \$ (51,570)	 \$ 208,030	 \$ (5,950)	 \$ (2,040,949)

City of Delaware, Ohio
Combining Balance Sheet—Enterprise Funds
As of December 31, 1998

Assets	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Total Enterprise</u>
Cash and investments	\$ 5,178,544	\$ 2,882,945	\$ 771,765	\$ 89,221	\$ 16,083	\$ 8,938,558
Net receivables	398,651	393,183	123,929	-	-	915,763
Accrued interest and prepaid expenses	12,778	16,989	5,435	1,162	-	36,364
Restricted assets:						
Cash in City Treasury	-	480,000	-	-	-	480,000
Cash and investments with Trustees	-	524,288	-	-	-	524,288
Accrued interest	-	1,359	-	-	-	1,359
Due from:						
Other funds	-	-	-	-	-	-
Inventory	11,069	783	-	594	-	12,446
Deferred charge	-	105,694	-	-	-	105,694
Net fixed assets	<u>11,264,735</u>	<u>17,275,891</u>	<u>377,272</u>	<u>153,360</u>	<u>215,187</u>	<u>29,286,445</u>
Total assets	<u>\$ 16,865,777</u>	<u>\$ 21,681,132</u>	<u>\$ 1,278,401</u>	<u>\$ 244,337</u>	<u>\$ 231,270</u>	<u>\$ 40,300,917</u>
Liabilities and Fund Equity						
Accounts payable	32,934	75,711	68,959	264	3,407	181,275
Customer deposits	154,978	-	-	-	-	154,978
Accrued liabilities	214,930	223,841	123,024	9,548	-	571,343
Accrued interest payable	-	31,068	-	-	-	31,068
Payables from restricted assets:						
Accrued interest payable	-	-	-	-	-	-
Due to:						
Other funds	-	1,000	-	-	-	1,000
Others	-	-	-	-	-	-
Landfill closure obligation	-	-	372,265	-	-	372,265
Revenue bonds and loan payable	<u>-</u>	<u>4,309,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,309,970</u>
Total liabilities	<u>402,842</u>	<u>4,641,590</u>	<u>564,248</u>	<u>9,812</u>	<u>3,407</u>	<u>5,621,899</u>
Fund equity:						
Contributed capital	3,746,220	9,832,645	43,050	111,707	-	13,733,622
Retained earnings	<u>12,716,715</u>	<u>7,206,898</u>	<u>671,101</u>	<u>122,948</u>	<u>227,864</u>	<u>20,945,526</u>
Total fund equity	<u>16,462,935</u>	<u>17,039,543</u>	<u>714,151</u>	<u>234,655</u>	<u>227,864</u>	<u>34,679,148</u>
Total liabilities and fund equity	<u>\$ 16,865,777</u>	<u>\$ 21,681,133</u>	<u>\$ 1,278,399</u>	<u>\$ 244,467</u>	<u>\$ 231,271</u>	<u>\$ 40,301,047</u>

City of Delaware, Ohio
Combining Statement of Revenues, Expenses and Changes in
Retained Earnings—Enterprise Funds
For the Year Ended December 31, 1998

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Total Enterprise</u>
Operating revenues:						
Charges for service	\$ 3,352,216	\$ 2,808,007	\$ 1,291,058	\$ 169,924	\$ 31,372	\$ 7,652,577
Total revenue	<u>3,352,216</u>	<u>2,808,007</u>	<u>1,291,058</u>	<u>169,924</u>	<u>31,372</u>	<u>7,652,577</u>
Operating expenses:						
Personal services	855,065	759,443	340,642	69,153	-	2,024,303
Depreciation	416,457	819,472	59,358	8,251	1,437	1,304,975
Contractual services	262,330	391,656	515,386	22,373	30,219	1,221,964
Materials and supplies	<u>262,932</u>	<u>135,289</u>	<u>8,394</u>	<u>28,610</u>	<u>-</u>	<u>435,225</u>
Total operating expenses	<u>1,796,784</u>	<u>2,105,860</u>	<u>923,780</u>	<u>128,387</u>	<u>31,656</u>	<u>4,986,467</u>
Operating income	<u>1,555,432</u>	<u>702,147</u>	<u>367,278</u>	<u>41,537</u>	<u>(284)</u>	<u>2,666,110</u>
Nonoperating revenues (expenses):						
Intergovernmental	-	-	-	-	-	-
Interest income	265,223	213,229	38,928	-	-	517,380
Interest expense	(7,447)	(230,768)	-	-	-	(238,215)
Other, net	<u>(117,040)</u>	<u>(320,733)</u>	<u>(5,487)</u>	<u>270</u>	<u>-</u>	<u>(442,990)</u>
Total nonoperating revenue, (expense)	<u>140,736</u>	<u>(338,272)</u>	<u>33,441</u>	<u>270</u>	<u>-</u>	<u>(163,825)</u>
Income (loss) before operating transfers	1,696,168	363,875	400,719	41,807	(284)	2,502,285
Operating transfers out	<u>(469,583)</u>	<u>(461,095)</u>	<u>(283,184)</u>	<u>(5,309)</u>	<u>-</u>	<u>(1,219,171)</u>
Net income (loss) after operating transfers	<u>1,226,585</u>	<u>(97,220)</u>	<u>117,535</u>	<u>36,498</u>	<u>(284)</u>	<u>1,283,114</u>
Add depreciation on fixed assets acquired by contributed capital	<u>71,455</u>	<u>454,183</u>	<u>12,600</u>	<u>-</u>	<u>-</u>	<u>538,238</u>
Increase in retained earnings	1,298,040	356,963	130,135	36,498	(284)	1,821,352
Retained earnings, beginning of year	<u>11,418,675</u>	<u>6,849,935</u>	<u>540,966</u>	<u>86,450</u>	<u>228,148</u>	<u>19,124,174</u>
Retained earnings, end of year	<u>\$12,716,715</u>	<u>\$7,206,898</u>	<u>\$ 671,101</u>	<u>\$ 122,948</u>	<u>\$ 227,864</u>	<u>\$20,945,526</u>

Report of Independent Accountants on Required Supplementary Information

Our report on the audit of the general-purpose financial statements of the City of Delaware, Ohio (the "City") as of December 31, 1998 and for the year then ended is presented in the first section of this document. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The year 2000 supplementary information on page 35 is not a required part of the basic financial statements but in a supplementary information required by the Governmental Accounting Standards Board, and we did not audit, and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by TB 98-1, as amended, are not sufficiently specified and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant

PricewaterhouseCoopers LLP

August 25, 1999

Year 2000 Issue

1. Approach

The City of Delaware (the "City") has decentralized the Year 2000 Project. The City has an overall project officer to coordinate city-wide issues, with each department responsible for the execution of its own Year 2000 efforts. The following approach has been adopted:

Development of a plan. This phase included awareness presentations at each department, and development of each department's plans.

Inventorying and assessments. Each department's team is documenting all systems which could be affected by Year 2000, including those that could have embedded micro-processors. The teams then conduct business risk assessments. For those systems where a failure would impact the department's ability to perform its key processes, the project team is conducting a thorough analysis of the system. This includes contacting vendors and testing. Those systems with problems are then identified for the remediation stage.

Remediation. This includes both the development and execution of a strategy for remediation.

Testing and redeployment. Information systems will be tested to ensure they are Year 2000-ready.

Validation. This step is critical to determining if the most important systems have been identified and investigated. This step will include comparing inventories with other municipalities and conducting empirical analysis.

Contingency plans. The City will develop contingency plans for systems where a failure would have a significant impact on the City's ability to conduct business. These include both business continuity plans and, where the potential impact is severe enough, emergency response plans.

2. Status

The City started preparing for the Year 2000 in 1998. A strategy for building a compliant information system infrastructure was developed, along with plans for fixing over thirteen major systems. Today, the infrastructure is nearly completed, and some of the City's most critical systems have been converted, including the financial payroll systems, water, wastewater, and all dispatching. Conversion of the remaining system is in progress.

The department project teams are evaluating department-specific systems. The majority of their work involves identifying and assessing systems with embedded micro-chips. The teams have completed inventories and are well along in assessing Year 2000 impacts to these systems. Remediation and testing will follow the assessments.

City of Delaware, Ohio
Required Supplementary Information
December 31, 1998

3. Cost

A large part of the Year 2000 efforts involve the upgrade or replacement of systems; therefore, cost which specifically address the Year 2000 problem cannot be isolated. Total expenditures and budgets for upgrade and replacements, which management estimates will make the City Year 2000-compliant, are as follows:

<u>Fiscal Year</u>	<u>Actual or Budgeted</u>
1999	390,000
2000	<u>60,000</u>
	<u>\$ 450,000</u>



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OFFICE OF THE AUDITOR

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800-282-0370
Facsimile 614-466-4490

CITY OF DELAWARE

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: MAY 25, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF DELAWARE, OHIO

REPORTS ON COMPLIANCE WITH
REQUIREMENTS TO EACH MAJOR PROGRAM
AND INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A—133
FOR THE YEAR ENDED DECEMBER 31, 1998

CITY OF DELAWARE, OHIO

**REPORTS ON COMPLIANCE WITH
REQUIREMENTS TO EACH MAJOR PROGRAM
AND INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A—133
FOR THE YEAR ENDED DECEMBER 31, 1998**

City of Delaware, Ohio
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**Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133**

The Honorable City Council
City of Delaware, Ohio

Compliance

We have audited the compliance of City of Delaware (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1998. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and with its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-1.

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

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the City as of and for the year ended December 31, 1998, and have issued our report thereon dated August 25, 1999. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is stated fairly, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

PriceWaterhouseCoopers LLP

August 25, 1999

City of Delaware, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 1998

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
Federal Aviation Administration			
Direct Program:			
Airport Improvement Program	20.106	AIP-3-39-0032-07 AIP-3-39-0032-08 AIP-3-39-0032-09	<u>\$ 1,826,766</u>
U.S. Department of Justice			
Direct Programs:			
Community Oriented Policing Services (COPS) Fast Grant	16.726	95-CF-WX-2599 97-LB-VX-3305	8,310
Local Law Enforcement Block Grants Program	16.592	96-LB-VX-1455	<u>1,081</u>
			<u>9,391</u>
U.S. Department of Housing and Urban Development			
Passes through State of Ohio Department of Development, Office of Local Government Services:			
Community Housing Improvement Program	14.228	AC-98-112-1	12,721
Community Development Block Grant	14.218	AF-97-112-1	<u>4,357</u>
			<u>17,078</u>
Total Expenditures of Federal Awards			<u>\$ 1,853,235</u>

The accompanying notes are an integral part of this schedule.

City of Delaware, Ohio
Notes to Schedule of Expenditures of Federal Awards
December 31, 1998

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Delaware, Ohio (the City). The City's reporting entity is defined in Note 1 to the City's general-purpose financial statements. Expenditures of federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's general-purpose financial statements.

City of Delaware, Ohio
Notes to Schedule of Expenditures of Federal Awards
December 31, 1998

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Reportable condition(s) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Reportable condition(s) identified
not considered to be material weaknesses? X yes _____ none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? X yes _____ no

Identification of major programs:

CFDA Number(s) _____ Name of Federal Program or Cluster
20.106 Federal Aviation Administration – Airport Improvement Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

City of Delaware, Ohio
Management Comments and Recommendations
December 31, 1998

Section II—Financial Statement Findings

No Matters Reported

Section III—Federal Award Findings and Questioned Costs

Information on the federal program:

98-1

CFDA Number

Number of federal program

20.106

Federal Aviation Administration – Airport Improvement Program

Passed through the Federal Aviation Administration grant #AIP-3-39-0032-09

Criteria – Cash Management

Circular A-110 Section .22(b) states “Cash advances to recipient’s organizations shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirement of the recipient organization in carrying out the purpose of the approved program or project.” We also contacted the regional assistant manager of the FAA, who stated the City is allowed three days between receipt and disbursement.

Condition:

Federal programs at the City are reimbursed after the costs have been incurred and invoices have been received. Invoices are sent directly to the City’s consultant on the airport project, who prepare a reimbursement request for amounts incurred to date. The consultant then sends the reimbursement request along with the invoices to the City. The airport manager will review the invoices and then co-sign the reimbursement request and send the form back to the consultant. At this time, the consultant files the request with the government. Concurrently, the airport manager will send the invoices to the assistant engineer for approval of invoices. After the assistant engineer approves the invoices they are sent to the finance department to be paid. The possibility of a large lag time between the filing of reimbursement request and payment of invoices theoretically exists and based on our testing it did occur. Per City personnel, since the reimbursements are wire transfers the City has no knowledge of receipt of wire transfer. We noted in our testing that one invoice was reimbursed ten days prior to payment of invoice.

Questioned Costs:

No material amount noted.

Context:

We tested twelve invoices for a total dollar amount of \$1,664,368 of federal funded expenditures. The total federal dollars expended for this program was \$1,826,766 for 82% coverage. All other programs are funded on a reimbursement basis, per the finance director. We noted one invoice for \$509,389 that was paid ten days after the receipt of federal funds.

City of Delaware, Ohio
Management Comments and Recommendations
December 31, 1998

Effect:

The City could potentially have federal money in their possession for longer periods than allowed by the cash management requirements.

Cause:

The City does not have a procedure in place to prevent a recurrence of condition specified above.

Recommendation:

In order to ensure future compliance, the City should implement new procedures pertaining to reimbursement requests filed with the FAA. We propose the following procedural change. The airport manager should not sign off on the reimbursement request until the Finance Director receives all the invoices that relate to that reimbursement request. The Finance Director should send to the airport manager a signed notification of receipt of such invoice. The airport manager should attach that approval to his copy. He should then sign the reimbursement request and send it to the consultant. Also, the City should direct that the consultant fax a confirmation to the City on the day the reimbursement request was filed noting that such reimbursement request has been duly filed with the FAA. As the City writes checks every Friday the longest lag time between receipt of confirmation from the consultant of the filing of the request and payment of such invoice would be five days.

Management's Response:

In response to the management concern regarding the FAA grant reimbursements, The City of Delaware acknowledges the following:

1. Reimbursement requests were prepared by the consultant for invoices received and approved for processing by their office.
2. On occasion, the receipt of funds from FAA for a given reimbursement request might precede payment of the invoices by the City of Delaware.
3. It is our belief that the reimbursement requests and invoices were submitted by the consultant with an expectation that payment of the invoices would precede or closely follow any receipt of funds from FAA.
4. In order to assure that reimbursement requests will be processed after the payment of invoices has occurred; The City of Delaware has established new procedures to more closely monitor the payment of invoices being requested by a given reimbursement request and to hold the request until it is confirmed that a check has been issued for every invoice included in the request or to request that the reimbursement request is revised to match the invoices, which are approved for payment.



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**DELAWARE
MUNICIPAL COURT**
REPORT ON AUDIT OF STATEMENT
OF CASH RECEIPTS,
DISBURSEMENTS AND
CASH BALANCES
FOR THE YEAR ENDED
DECEMBER 31, 1998

**DELAWARE
MUNICIPAL COURT
REPORT ON AUDIT OF STATEMENT
OF CASH RECEIPTS,
DISBURSEMENTS AND
CASH BALANCES
FOR THE YEAR ENDED
DECEMBER 31, 1998**

Report of Independent Accountants

Honorable Michael Hoague
Judge of the Delaware Municipal Court

In our opinion, the accompanying statement of cash receipts, disbursements and cash balances of the divisions of the Delaware Municipal Court (the "Court") presents fairly, in all material respects, the results of operations of divisions of the Delaware Municipal Court for the year ended December 31, 1998 on the basis of accounting described in Note 2. This financial statement is the responsibility of the Court's management; our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit of this statement in accordance with generally accepted auditing standards and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

As described in Note 2, the Court's policy is to prepare its financial statement on the basis of cash receipts and disbursements; consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statement is not intended to present financial position, results of operations or cash flows in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 1999 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with laws and regulations.

PricewaterhouseCoopers LLP

August, 25 1999

**Delaware Municipal Court
Statement of Cash Receipts, Disbursements and Cash Balances
For the Year Ended December 31, 1998 By Division**

	Criminal Division	Civil Division	Bond Division	Rent Escrow Division	Probation Division	Witness/ Jury Division	Home Monitor Division	1998 Total (Memorandum Only)	1997 Total (Memorandum Only)
Cash and certificate of deposit at January 1	\$ 208,693	\$ 18,689	\$ 76,674	\$ -	\$ 1,276	\$ 4,154	\$ 10	\$ 309,496	\$ 270,149
Cash receipts:									
Source of Revenue—City:									
Highway Patrol fines	116,187	-	-	-	-	-	-	116,187	111,141
City fines	196,314	-	-	-	-	-	-	196,314	193,525
State costs	910,466	-	-	-	-	-	-	910,466	805,924
City costs	93,931	101,865	-	-	-	-	-	195,796	175,678
Special project fund	203,672	-	-	-	-	-	-	203,672	154,670
Other	3,694	-	-	-	-	-	-	3,694	2,226
Source of Revenue—State:									
Highway Patrol fines	116,640	-	-	-	-	-	-	116,640	113,886
Public Defender	167,097	-	-	-	-	-	-	167,097	166,340
Victim of Crimes	136,709	-	-	-	-	-	-	136,709	136,067
Seat Belt and other state fines	94,338	-	-	-	-	-	-	94,338	66,549
Wildlife and Watercraft	18,085	-	-	-	-	-	-	18,085	22,971
Other	8,280	-	-	-	-	-	-	8,280	5,490
Source of Revenue—County:									
Highway Patrol fines	25,759	-	-	-	-	-	-	25,759	25,196
Public Defender reimbursements	-	-	-	-	-	-	-	-	137
County fines	197,727	-	-	-	-	-	-	197,727	215,097
Bridges	367,399	-	-	-	-	-	-	367,399	158,138
County costs—witness/jury costs	14,127	-	-	-	-	-	-	14,127	8,363
Source of Revenue—Villages:									
Bonds	-	-	578,628	-	-	-	-	578,628	487,503
Judgements	-	77,532	-	-	-	-	-	77,532	88,088
Deposits and tenders	-	26,127	-	-	-	-	-	26,127	19,753
Other	56,348	18,422	-	-	36,603	44,919	-	156,292	132,024
Total receipts:	\$ 2,726,773	\$ 223,946	\$ 578,628	\$ -	\$ 36,603	\$ 44,919	\$ -	\$ 3,610,869	\$ 3,088,766

Continued

**Delaware Municipal Court
Statement of Cash Receipts, Disbursements and Cash Balances
For the Year Ended December 31, 1998 By Division**

	Criminal Division	Civil Division	Bond Division	Rent Escrow Division	Probation Division	Witness/ Jury Division	Home Monitor Division	1998 Total (Memorandum Only)	1997 Total (Memorandum Only)
Cash disbursements:									
To the City of Delaware, Ohio for:									
Fines	\$ 305,895							\$ 305,895	\$ 303,773
Costs	990,365	\$ 94,554	\$ 25,487					1,110,406	995,529
Special project fund	200,622							200,622	140,580
Other	4,329							4,329	7,404
To the State of Ohio Treasurer for:									
Fines	225,579							225,579	201,983
Public Defender	165,720							165,720	166,471
Victim of crimes	135,601							135,601	136,121
To the Delaware County Auditor for:									
Fines	582,482							582,482	396,807
Other	6,789							6,789	
To other agencies—villages:									
Bond refunds			547,366					547,366	463,496
Judgement payments		79,190						79,190	88,788
Deposits and tenders		25,645						25,645	28,774
Interest Bonds			380					380	399
Other	55,583	26,040			35,868	45,126		162,617	119,594
Total Disbursements	2,672,965	225,479	573,233		35,868	45,126		3,552,621	3,049,419
Excess (deficiency) of receipts over disbursements	53,808	(1,483)	5,395		735	(207)		58,248	39,347
Cash and certificates of deposit at December 31 (Note 3)	\$ 262,501	\$ 17,206	\$ 82,069		\$ 2,011	\$ 3,947	\$ 10	\$ 367,744	\$ 309,496

The accompanying notes are an integral part of these financial statements.

Delaware Municipal Court
Notes to Financial Statement of Cash Receipts, Disbursements and Cash Balances
December 31, 1998

1. Financial Reporting Entity

Delaware Municipal Court (the "Court") was created by the State Legislature of the State of Ohio under Section 1901.01 of the Ohio Revised Code. The Court has jurisdiction within the limits of Delaware County, Ohio (the County). The Court is a component unit of the City of Delaware, Ohio.

The Court's financial statement presents the agency funds of the divisions of the Court: criminal, civil and small claims, bond, rent escrow, probation, witness/jury, and home monitor. The operating expenses of the Court are funded by the General Fund of the city of Delaware, Ohio, and are not included in this report.

2. Summary of Significant Accounting Policies

Basis of accounting. The Court prepares the financial statement on the basis of cash receipts and disbursements. Under this accounting method, revenues are recognized when received in cash, and expenditures are recognized when paid. This accounting method is not intended to be in conformity with generally accepted accounting principles.

Total columns on the financial statement. Total columns on the statement of cash receipts, disbursements and cash balances are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present results of operations in conformity with generally accepted accounting principles, nor are such data comparable to a consolidation. Cash transfers between the divisions have not been eliminated in compiling this data.

3. Cash and Certificates of Deposit

At December 31, 1998, the carrying amount of the Court's total cash and certificates of deposit was \$367,744, and the bank balance was \$367,334. Of the bank balance, \$144,967 was covered by federal depository insurance and \$222,367 was covered by collateral held by third-party trustees in collateral pools of depository institutions pursuant to Section 135.181 of the Ohio Revised Code.

Delaware Municipal Court
Notes to Financial Statement of Cash Receipts, Disbursements and Cash Balances
December 31, 1998

The Ohio Revised Code authorizes the Court to invest in repurchase agreements not exceeding 30 days, securities of the federal and state governments, debt securities of eligible financial institutions and certain other securities that mature within two years from purchase date. It is management's policy to deposit funds in certificates of deposit of federally insured financial institutions.

	Carrying Value (Approximates Market)
Certificates of deposit	\$ 20,000
Cash deposits	<u>347,744</u>
Total cash and certificates of deposit	<u>\$ 367,744</u>

All cash and certificates of deposit held by the Court are payable to other governments or to individuals.



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**DELAWARE
MUNICIPAL COURT**
INDEPENDENT ACCOUNTANTS'
REPORT ON LEGAL COMPLIANCE
AND THE INTERNAL CONTROL
STRUCTURE
FOR THE YEAR ENDED
DECEMBER 31, 1998

**DELAWARE
MUNICIPAL COURT
INDEPENDENT ACCOUNTANTS'
REPORT ON LEGAL COMPLIANCE
AND THE INTERNAL CONTROL
STRUCTURE
FOR THE YEAR ENDED
DECEMBER 31, 1998**

**Independent Accountants' Report on Compliance and on Internal Control Performed in
Accordance With *Government Auditing Standards***

The Honorable Michael Hoague
Judge of the Delaware Municipal Court

We have audited the financial statements of Delaware Municipal Court for the year ended December 31, 1998 and have issued our report thereon dated August 25, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Delaware Municipal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended for the information of the Court's management and the Auditor of the State of Ohio. However, this report is a matter of public record and its distribution is not limited.

August 25, 1999

PricewaterhouseCoopers LLP



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