



Dave Yost • Auditor of State



**CITY OF DELPHOS  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Delphos  
Allen County  
608 North Canal Street  
Delphos, Ohio 45833

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Income Tax Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1S, the City restated the net position for the Business Type Activities and Sewer Fund as of January 1, 2013 due to the implementation of GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 11, 2014

**City of Delphos**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*(Unaudited)*

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The discussion and analysis of the City of Delphos's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2013 are as follows:

- In total, net position decreased \$794,057, which represents a 5 percent decrease from 2012. Net position of governmental activities increased \$199,600. Net position of business-type activities decreased \$993,657.
- Total capital assets decreased \$2,400,995 in 2013. Capital assets of governmental activities decreased \$147,818 and capital assets of business-type activities decreased \$2,253,177.
- Outstanding debt decreased from \$40,918,640 to \$39,424,591 due to principal payments made during the year.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the City of Delphos as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2013 and how they affected the operations of the City as a whole.

***Reporting the City of Delphos as a Whole***

***Statement of Net Position and the Statement of Activities***

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Delphos, the general fund is by far the most significant fund. Business-type funds consist of the water, sewer and sanitation funds.

**City of Delphos**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013 (Continued)*  
*(Unaudited)*

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A question typically asked about the City's finances "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

### ***Reporting the City of Delphos's Most Significant Funds***

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the income tax fund.

***Governmental Funds*** Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.



**City of Delphos**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2013 (Continued)  
(Unaudited)

**The City of Delphos as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012:

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	Restated 2012	2013	Restated 2012
<b>Assets</b>						
Current and Other Assets	\$ 2,731,479	\$ 2,382,258	\$ 2,666,731	\$ 2,985,427	\$ 5,398,210	\$ 5,367,685
Capital Assets	2,851,236	2,999,054	48,623,316	50,876,493	51,474,552	53,875,547
<i>Total Assets</i>	<u>5,582,715</u>	<u>5,381,312</u>	<u>51,290,047</u>	<u>53,861,920</u>	<u>56,872,762</u>	<u>59,243,232</u>
<b>Liabilities</b>						
Long-Term Liabilities	536,878	565,776	39,596,603	41,170,475	40,133,481	41,736,251
Other Liabilities	213,358	195,042	289,947	294,291	503,305	489,333
<i>Total Liabilities</i>	<u>750,236</u>	<u>760,818</u>	<u>39,886,550</u>	<u>41,464,766</u>	<u>40,636,786</u>	<u>42,225,584</u>
Deferred Inflows of Resources	368,235	355,850	0	0	368,235	355,850
<b>Net Position</b>						
Net Investment in Capital Assets	2,829,065	2,955,774	9,211,924	10,001,133	12,040,989	12,956,907
Restricted	948,757	662,504	0	0	948,757	662,504
Unrestricted	686,422	646,366	2,191,573	2,396,021	2,877,995	3,042,387
<i>Total Net Position</i>	<u>\$ 4,464,244</u>	<u>\$ 4,264,644</u>	<u>\$ 11,403,497</u>	<u>\$ 12,397,154</u>	<u>\$ 15,867,741</u>	<u>\$ 16,661,798</u>

At year end, capital assets represented 91 percent of total assets. Capital assets include, land, buildings, land improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Net investment in capital assets were \$12,040,987 at December 31, 2013, with \$2,829,065 in governmental activities and \$9,211,924 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$948,757 or 6 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$2,877,995 may be used to meet the government's ongoing obligations to citizens and creditors.

The City saw a \$1,573,872 decrease in long-term liabilities in the business-type activities. This was primarily a result of debt payments made by the sewer fund.

**City of Delphos**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2013 (Continued)  
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	Restated 2012	2013	Restated 2012
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 572,842	\$ 707,938	\$ 4,665,129	\$ 5,134,522	\$ 5,237,971	\$ 5,842,460
Operating Grants	339,847	362,026	0	0	339,847	362,026
Capital Grants	95,000	466,408	0	259,259	95,000	725,667
<i>General Revenues:</i>						
Property Taxes	403,284	423,045	0	0	403,284	423,045
Income Taxes	2,502,407	2,410,192	0	0	2,502,407	2,410,192
Grants and Entitlements	261,001	202,002	0	0	261,001	202,002
Unrestricted Contributions	2,540	0	0	0	2,540	0
Investment Earnings	2,427	8,602	0	0	2,427	8,602
Miscellaneous	30,453	4,616	101,631	4,428	132,084	9,044
<i>Total Revenues</i>	<u>4,209,801</u>	<u>4,584,829</u>	<u>4,766,760</u>	<u>5,398,209</u>	<u>8,976,561</u>	<u>9,983,038</u>
<b>Program Expenses</b>						
General Government	340,727	409,311	0	0	340,727	409,311
Security of Persons and Property	2,217,027	2,664,444	0	0	2,217,027	2,664,444
Public Health	54,955	48,106	0	0	54,955	48,106
Leisure Time Services	526,315	539,203	0	0	526,315	539,203
Transportation	517,502	318,082	0	0	517,502	318,082
Intergovernmental	0	3,161	0	0	0	3,161
Interest and Fiscal Charges	1,675	6,986	0	0	1,675	6,986
<i>Enterprise Operations:</i>						
Water	0	0	1,711,902	1,910,294	1,711,902	1,910,294
Sewer	0	0	3,906,139	4,010,074	3,906,139	4,010,074
Sanitation	0	0	494,376	523,245	494,376	523,245
<i>Total Program Expenses</i>	<u>3,658,201</u>	<u>3,989,293</u>	<u>6,112,417</u>	<u>6,443,613</u>	<u>9,770,618</u>	<u>10,432,906</u>
<i>Increase (Decrease) in Net Position</i>	551,600	595,536	(1,345,657)	(1,045,404)	(794,057)	(449,868)
Transfers	<u>(352,000)</u>	<u>(700,000)</u>	<u>352,000</u>	<u>700,000</u>	<u>0</u>	<u>0</u>
<i>Change in Net Position</i>	199,600	(104,464)	(993,657)	(345,404)	(794,057)	(449,868)
<i>Net Position Beginning of Year</i>	<u>4,264,644</u>	<u>4,369,108</u>	<u>12,397,154</u>	<u>12,742,558</u>	<u>16,661,798</u>	<u>17,111,666</u>
<i>Net Position End of Year</i>	<u>\$ 4,464,244</u>	<u>\$ 4,264,644</u>	<u>\$ 11,403,497</u>	<u>\$ 12,397,154</u>	<u>\$ 15,867,741</u>	<u>\$ 16,661,798</u>

**Governmental Activities**

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

**City of Delphos**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013 (Continued)*  
*(Unaudited)*

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The City's income tax is at a rate of 1.5 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides .75 percent credit for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

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

The decrease in capital grants is due to a CDBG grant for Clearwell water line improvements received in 2012.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$2,217,027 represents 61 percent of the total governmental activities expenses. The police and fire departments operate primarily out of the General fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$517,502, or 14 percent of total governmental activities expenses, during 2013.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$581,270 in 2013 equaling 16 percent of the total governmental services expenses.

### **Business-Type Activities**

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2013, charges for services of \$4,665,129 accounted for 98 percent of the business type revenues. The total expenses for the utilities were \$6,112,417, thus leaving a decrease in net position of \$993,657 for the business-type activities (after a transfer of \$352,000 from the income tax fund).

Capital grants in the business-type activities decreased due to CDBG grant received for the Clearwell water line improvement project received in 2012.

### ***The City's Funds***

#### ***Governmental Funds***

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$4,238,108 and expenditures of \$3,459,808. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2013 was an increase of \$52,188.

**City of Delphos**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013 (Continued)*  
*(Unaudited)*

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The fund balance of the income tax fund increased by \$367,484 due to fewer funds being transferred to the sewer fund for debt payments.

***Proprietary Funds***

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

Unrestricted net position of the water fund, sewer fund and sanitation fund at the end of the year amounted to \$884,863, \$1,257,422 and \$23,040 respectively. The total growth in net position for the water fund was \$255,743 while the sewer and sanitation funds saw declines of \$1,233,346 and \$20,647 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2013, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$2,965,470, representing a decrease of \$196,055 under the final budget estimate of \$3,161,525. There were no significant variances.

Final expenditure appropriations were \$458,797 more than actual expenditures of \$2,702,203 as the City recognized cost savings in 2013.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of year 2013, the City had \$51,474,552 invested in capital assets. A total of \$2,851,236 of this was for governmental activities and \$48,623,316 being attributable to business-type activities. Table 3 shows fiscal year 2013 balances compared with 2012.

**City of Delphos**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013 (Continued)*  
*(Unaudited)*

**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 476,660	\$ 476,660	\$ 889,207	\$ 889,207	\$ 1,365,867	\$ 1,365,867
Infrastructure	0	0	9,157,339	9,085,997	9,157,339	9,085,997
Land Improvements	1,325,766	1,325,755	3,726,717	3,828,799	5,052,483	5,154,554
Buildings	621,563	673,492	29,953,896	30,676,828	30,575,459	31,350,320
Furniture and Equipment	152,642	179,714	4,859,188	6,329,255	5,011,830	6,508,969
Vehicles	274,605	333,133	36,969	66,407	311,574	399,540
Construction in Progress	0	10,300		0	0	10,300
<i>Total</i>	<u>\$ 2,851,236</u>	<u>\$ 2,999,054</u>	<u>\$ 48,623,316</u>	<u>\$ 50,876,493</u>	<u>\$ 51,474,552</u>	<u>\$ 53,875,547</u>

The \$147,818 decrease in capital assets of governmental activities was attributable to current year depreciation and disposals exceeding additional purchases. The \$2,253,177 decrease in capital assets of business-type activities is due to current year depreciation exceeding additional purchases. See Note 6 for additional information about the capital assets of the City.

**Debt**

The outstanding debt for the City as of December 31, 2013 was \$39,424,591. See Notes 9 & 10 for additional details. Table 4 summarizes outstanding debt.

**Table 4**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Lease	\$ 22,171	\$ 43,280	\$ 0	\$ 0	\$ 22,171	\$ 43,280
General Obligation Bonds	0	0	1,474,649	1,669,699	1,474,649	1,669,699
OPWC Loans	0	0	170,978	187,667	170,978	187,667
OWDA Loans	0	0	37,756,793	39,017,994	37,756,793	39,017,994
<i>Total</i>	<u>\$ 22,171</u>	<u>\$ 43,280</u>	<u>\$ 39,402,420</u>	<u>\$ 40,875,360</u>	<u>\$ 39,424,591</u>	<u>\$ 40,918,640</u>

***Contacting the City's Finance Department***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tom Jettinghoff, Auditor of City of Delphos, 608 North Canal Street, Delphos, Ohio 45833-2401 or call (419) 695-4010.

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**City of Delphos**  
**Allen County, Ohio**  
*Statement of Net Position*  
*December 31, 2013*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,106,056	\$ 1,300,519	\$ 2,406,575
Accounts Receivable	132,855	1,249,884	1,382,739
Intergovernmental Receivable	247,594	0	247,594
Taxes Receivable	377,365	0	377,365
Income Taxes Receivable	854,197	0	854,197
Internal Balances	(26,248)	26,248	0
Prepaid Items	24,978	30,535	55,513
Materials and Supplies Inventory	14,682	59,545	74,227
Non-Depreciable Capital Assets	476,660	889,207	1,365,867
Depreciable Capital Assets, Net	2,374,576	47,734,109	50,108,685
<i>Total Assets</i>	<u>5,582,715</u>	<u>51,290,047</u>	<u>56,872,762</u>
<b>Liabilities</b>			
Accounts Payable	38,104	208,434	246,538
Accrued Wages	40,264	10,937	51,201
Contracts Payable	0	8,972	8,972
Intergovernmental Payable	104,461	32,677	137,138
Accrued Interest Payable	530	28,927	29,457
Claims Payable	3,498	0	3,498
Matured Compensated Absences Payable	26,501	0	26,501
Long-Term Liabilities:			
Due Within One Year	153,757	3,031,474	3,185,231
Due in More Than One Year	383,121	36,565,129	36,948,250
<i>Total Liabilities</i>	<u>750,236</u>	<u>39,886,550</u>	<u>40,636,786</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	368,235	0	368,235
<b>Net Position</b>			
Net Investment in Capital Assets	2,829,065	9,211,924	12,040,989
Restricted For:			
Public Safety	14,262	0	14,262
Street Maintenance	274,385	0	274,385
Economic Development	1,145	0	1,145
Other Purposes	658,965	0	658,965
Unrestricted	686,422	2,191,573	2,877,995
<i>Total Net Position</i>	<u>\$ 4,464,244</u>	<u>\$ 11,403,497</u>	<u>\$ 15,867,741</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 340,727	\$ 188,610	\$ 0	\$ 0	\$ (152,117)	\$ 0	\$ (152,117)
Security of Persons and Property	2,217,027	278,996	17,463	0	(1,920,568)	0	(1,920,568)
Public Health	54,955	0	0	0	(54,955)	0	(54,955)
Leisure Time Services	526,315	105,236	0	95,000	(326,079)	0	(326,079)
Transportation	517,502	0	322,384	0	(195,118)	0	(195,118)
Interest and Fiscal Charges	1,675	0	0	0	(1,675)	0	(1,675)
<i>Total Governmental Activities</i>	<u>3,658,201</u>	<u>572,842</u>	<u>339,847</u>	<u>95,000</u>	<u>(2,650,512)</u>	<u>0</u>	<u>(2,650,512)</u>
<b>Business-Type Activities</b>							
Water	1,711,902	1,936,050	0	0	0	224,148	224,148
Sewer	3,906,139	2,255,350	0	0	0	(1,650,789)	(1,650,789)
Sanitation	494,376	473,729	0	0	0	(20,647)	(20,647)
<i>Total Business-Type Activities</i>	<u>6,112,417</u>	<u>4,665,129</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,447,288)</u>	<u>(1,447,288)</u>
<i>Total Primary Government</i>	<u>\$ 9,770,618</u>	<u>\$ 5,237,971</u>	<u>\$ 339,847</u>	<u>\$ 95,000</u>	<u>(2,650,512)</u>	<u>(1,447,288)</u>	<u>(4,097,800)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					343,473	0	343,473
Police and Fire Pension					59,811	0	59,811
Income Taxes Levied for:							
General Purposes					1,650,957	0	1,650,957
Capital Projects					851,450	0	851,450
Grants and Entitlements not Restricted							
to Specific Programs					261,001	0	261,001
Unrestricted Contributions					2,540	0	2,540
Investment Earnings					2,427	0	2,427
Miscellaneous					30,453	101,631	132,084
<i>Total General Revenues</i>					<u>3,202,112</u>	<u>101,631</u>	<u>3,303,743</u>
Transfers					(352,000)	352,000	0
<i>Change in Net Position</i>					199,600	(993,657)	(794,057)
<i>Net Position Beginning of Year - Restated, See Note 1-S</i>					<u>4,264,644</u>	<u>12,397,154</u>	<u>16,661,798</u>
<i>Net Position End of Year</i>					<u>\$ 4,464,244</u>	<u>\$ 11,403,497</u>	<u>\$ 15,867,741</u>

See accompanying notes to the basic financial statements.



**City of Delphos**  
**Allen County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2013*

	General Fund	Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 298,448	\$ 467,695	\$ 255,278	\$ 1,021,421
Accounts Receivable	132,855	0	0	132,855
Intergovernmental Receivable	89,517	0	158,077	247,594
Taxes Receivable	321,833	0	55,532	377,365
Income Taxes Receivable	631,936	222,261	0	854,197
Prepaid Items	22,887	130	1,961	24,978
Materials and Supplies Inventory	1,745	0	12,937	14,682
<i>Total Assets</i>	<u>\$ 1,499,221</u>	<u>\$ 690,086</u>	<u>\$ 483,785</u>	<u>\$ 2,673,092</u>
<b>Liabilities</b>				
Accounts Payable	32,793	0	5,311	38,104
Accrued Wages	34,534	980	4,750	40,264
Intergovernmental Payable	74,400	1,806	28,255	104,461
Matured Compensated Absences Payable	26,501	0	0	26,501
<i>Total Liabilities</i>	<u>168,228</u>	<u>2,786</u>	<u>38,316</u>	<u>209,330</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	321,833	0	55,532	377,365
Unavailable Revenue	529,078	102,714	106,086	737,878
<i>Total Deferred Inflows of Resources</i>	<u>850,911</u>	<u>102,714</u>	<u>161,618</u>	<u>1,115,243</u>
<b>Fund Balances</b>				
Nonspendable	27,381	130	14,898	42,409
Restricted	0	0	249,174	249,174
Committed	0	584,456	20,918	605,374
Assigned	292,639	0	0	292,639
Unassigned	160,062	0	(1,139)	158,923
<i>Total Fund Balances</i>	<u>480,082</u>	<u>584,586</u>	<u>283,851</u>	<u>1,348,519</u>
<i>Total Liabilities, Deferred Inflows of of Resources and Fund Balances</i>	<u>\$ 1,499,221</u>	<u>\$ 690,086</u>	<u>\$ 483,785</u>	<u>\$ 2,673,092</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2013*

<b>Total Governmental Fund Balances</b>	\$	1,348,519
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,851,236
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property Taxes	\$ 9,130	
Income Tax	489,667	
Intergovernmental	171,874	
Charges for Services	76,337	747,008
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		54,889
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(530)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases	(22,171)	
Compensated Absences	(514,707)	(536,878)
 <i>Net Position of Governmental Activities</i>	 \$	 <u><u>4,464,244</u></u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General Fund	Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 364,115	\$ 0	\$ 63,224	\$ 427,339
Income Taxes	1,665,109	864,616	0	2,529,725
Charges for Services	462,499	0	0	462,499
Licenses and Permits	83,162	0	900	84,062
Fines and Forfeitures	0	0	6,919	6,919
Intergovernmental	328,578	0	328,116	656,694
Interest	2,427	0	0	2,427
Rent	18,000	0	0	18,000
Contributions and Donations	19,990	0	0	19,990
Other	30,428	25	0	30,453
<i>Total Revenues</i>	<u>2,974,308</u>	<u>864,641</u>	<u>399,159</u>	<u>4,238,108</u>
<b>Expenditures</b>				
Current:				
General Government	189,216	145,157	0	334,373
Security of Persons and Property	2,013,667	0	215,001	2,228,668
Public Health	44,655	0	0	44,655
Leisure Time Services	397,028	0	0	397,028
Transportation	116,555	0	315,241	431,796
Debt Service:		0	0	
Principal Retirement	8,899	0	12,210	21,109
Interest and Fiscal Charges	1,100	0	1,079	2,179
<i>Total Expenditures</i>	<u>2,771,120</u>	<u>145,157</u>	<u>543,531</u>	<u>3,459,808</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>203,188</u>	<u>719,484</u>	<u>(144,372)</u>	<u>778,300</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	151,000	151,000
Transfers Out	(151,000)	(352,000)	0	(503,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(151,000)</u>	<u>(352,000)</u>	<u>151,000</u>	<u>(352,000)</u>
<i>Net Change in Fund Balance</i>	52,188	367,484	6,628	426,300
<i>Fund Balance Beginning of Year</i>	<u>427,894</u>	<u>217,102</u>	<u>277,223</u>	<u>922,219</u>
<i>Fund Balance End of Year</i>	<u>\$ 480,082</u>	<u>\$ 584,586</u>	<u>\$ 283,851</u>	<u>\$ 1,348,519</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Year Ended December 31, 2013*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	426,300
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*Amounts reported for governmental activities in the statement of activities are different because:*

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

Capital Asset Additions	\$ 119,683	
Current Year Depreciation	(255,956)	(136,273)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(11,545)

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

Property Taxes	(24,056)	
Income Tax	(27,318)	
Intergovernmental	(73,296)	
Charges for Services	1,363	(123,307)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Capital Lease		21,109
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid.

Accrued Interest Payable		5,766
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

9,761

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

Compensated Absences		7,789

*Change in Net Position of Governmental Activities*

\$ 199,600

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 383,031	\$ 388,188	\$ 364,115	\$ (24,073)
Income Taxes	1,750,578	1,774,147	1,664,127	(110,020)
Charges for Services	488,710	495,289	464,575	(30,714)
Licenses and Permits	88,390	89,580	84,025	(5,555)
Intergovernmental	344,864	349,507	327,833	(21,674)
Interest	2,553	2,587	2,427	(160)
Rent	18,935	19,190	18,000	(1,190)
Contributions and Donations	18,357	18,604	17,450	(1,154)
Other	24,109	24,433	22,918	(1,515)
<i>Total Revenues</i>	<u>3,119,527</u>	<u>3,161,525</u>	<u>2,965,470</u>	<u>(196,055)</u>
<b>Expenditures</b>				
Current:				
General Government	170,286	172,579	144,978	27,601
Security of Persons and Property	2,305,634	2,336,681	1,999,524	337,157
Public Health	51,491	52,185	44,655	7,530
Leisure Time Services	457,190	463,347	396,491	66,856
Transportation	134,399	136,208	116,555	19,653
<i>Total Expenditures</i>	<u>3,119,000</u>	<u>3,161,000</u>	<u>2,702,203</u>	<u>458,797</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>527</u>	<u>525</u>	<u>263,267</u>	<u>262,742</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(151,000)	(151,000)	(151,000)	0
<i>Net Change in Fund Balance</i>	(150,473)	(150,475)	112,267	262,742
<i>Fund Balance Beginning of Year</i>	<u>180,892</u>	<u>180,892</u>	<u>180,892</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 30,419</u>	<u>\$ 30,417</u>	<u>\$ 293,159</u>	<u>\$ 262,742</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Income Tax Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$ 843,231	\$ 858,231	\$ 857,278	\$ (953)
Other	25	25	25	0
<i>Total Revenues</i>	<u>843,256</u>	<u>858,256</u>	<u>857,303</u>	<u>(953)</u>
<b>Expenditures</b>				
Current:				
General Government	598,000	613,000	145,055	(467,945)
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>245,256</u>	<u>245,256</u>	<u>712,248</u>	<u>466,992</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(352,000)	(352,000)	(352,000)	0
<i>Net Change in Fund Balance</i>	(106,744)	(106,744)	360,248	466,992
<i>Fund Balance Beginning of Year</i>	<u>107,447</u>	<u>107,447</u>	<u>107,447</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 703</u>	<u>\$ 703</u>	<u>\$ 467,695</u>	<u>\$ 466,992</u>

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2013*

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	All Other Enterprise Funds		
<b>Assets</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 514,394	\$ 783,061	\$ 3,064	\$ 1,300,519	\$ 84,635
Accounts Receivable	517,988	592,511	139,385	1,249,884	0
Prepaid Items	7,181	22,282	1,072	30,535	0
Materials and Supplies Inventory	31,445	28,100	0	59,545	0
<i>Total Current Assets</i>	<u>1,071,008</u>	<u>1,425,954</u>	<u>143,521</u>	<u>2,640,483</u>	<u>84,635</u>
<i>Non-Current Assets:</i>					
Non-Depreciable Capital Assets	12,658	876,549	0	889,207	0
Depreciable Capital Assets, Net	21,017,564	26,670,205	46,340	47,734,109	0
<i>Total Non-Current Assets</i>	<u>21,030,222</u>	<u>27,546,754</u>	<u>46,340</u>	<u>48,623,316</u>	<u>0</u>
<i>Total Assets</i>	<u>22,101,230</u>	<u>28,972,708</u>	<u>189,861</u>	<u>51,263,799</u>	<u>84,635</u>
<b>Liabilities</b>					
<i>Current Liabilities:</i>					
Accounts Payable	22,768	73,541	112,125	208,434	0
Accrued Wages	6,010	4,567	360	10,937	0
Contracts Payable	8,972	0	0	8,972	0
Intergovernmental Payable	14,362	17,345	970	32,677	0
Accrued Interest Payable	28,927	0	0	28,927	0
Compensated Absences Payable	33,046	26,200	1,162	60,408	0
OPWC Loans Payable	16,689	0	0	16,689	0
OWDA Loans Payable	766,539	1,984,910	0	2,751,449	0
General Obligation Bonds Payable	202,928	0	0	202,928	0
Claims Payable	0	0	0	0	3,498
<i>Total Current Liabilities</i>	<u>1,100,241</u>	<u>2,106,563</u>	<u>114,617</u>	<u>3,321,421</u>	<u>3,498</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	81,032	46,879	5,864	133,775	0
OPWC Loans Payable - Net of Current Portion	154,289	0	0	154,289	0
OWDA Loans Payable - Net of Current Portion	12,446,007	22,559,337	0	35,005,344	0
General Obligation Bonds Payable - Net of Current Portion	1,271,721	0	0	1,271,721	0
<i>Total Long-Term Liabilities</i>	<u>13,953,049</u>	<u>22,606,216</u>	<u>5,864</u>	<u>36,565,129</u>	<u>0</u>
<i>Total Liabilities</i>	<u>15,053,290</u>	<u>24,712,779</u>	<u>120,481</u>	<u>39,886,550</u>	<u>3,498</u>
<b>Net Position</b>					
Net Investment in Capital Assets	6,163,077	3,002,507	46,340	9,211,924	0
Unrestricted	884,863	1,257,422	23,040	2,165,325	81,137
<i>Total Net Position</i>	<u>\$ 7,047,940</u>	<u>\$ 4,259,929</u>	<u>\$ 69,380</u>	<u>11,377,249</u>	<u>\$ 81,137</u>

Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities

Net Position of business-type activities

26,248

\$ 11,403,497

See accompanying notes to the basic financial statements.

**City of Delphos**  
**Allen County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2013*

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	All Other Enterprise Funds		
<b>Operating Revenues</b>					
Charges for Services	\$ 1,928,350	\$ 2,255,100	\$ 473,729	\$ 4,657,179	\$ 115,564
Tap-In Fees	7,700	250	0	7,950	0
Other	32,585	69,046	0	101,631	0
<i>Total Operating Revenues</i>	<u>1,968,635</u>	<u>2,324,396</u>	<u>473,729</u>	<u>4,766,760</u>	<u>115,564</u>
<b>Operating Expenses</b>					
Personal Services	448,375	543,105	27,145	1,018,625	0
Contractual Services	171,443	929,834	449,587	1,550,864	3,682
Materials and Supplies	136,611	101,475	1,821	239,907	0
Claims	0	0	0	0	97,528
Depreciation	564,925	2,016,981	15,823	2,597,729	0
<i>Total Operating Expenses</i>	<u>1,321,354</u>	<u>3,591,395</u>	<u>494,376</u>	<u>5,407,125</u>	<u>101,210</u>
<i>Operating Income (Loss)</i>	<u>647,281</u>	<u>(1,266,999)</u>	<u>(20,647)</u>	<u>(640,365)</u>	<u>14,354</u>
<b>Non-Operating Revenues (Expense)</b>					
Interest and Fiscal Charges	(391,538)	(318,347)	0	(709,885)	0
<i>Income (Loss) Before Transfers</i>	255,743	(1,585,346)	(20,647)	(1,350,250)	14,354
Transfers In	0	352,000	0	352,000	0
<i>Change in Net Position</i>	255,743	(1,233,346)	(20,647)	(998,250)	14,354
<i>Net Position Beginning of Year - Restated, See Note 1-S</i>	<u>6,792,197</u>	<u>5,493,275</u>	<u>90,027</u>		<u>66,783</u>
<i>Net Position End of Year</i>	<u>\$ 7,047,940</u>	<u>\$ 4,259,929</u>	<u>\$ 69,380</u>		<u>\$ 81,137</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				4,593	
Changes in Net Position of Business-Type Activities				<u>\$ (993,657)</u>	

See accompanying notes to the basic financial statements.



**City of Delphos**  
**Allen County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2013

	Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	All Other Enterprise Funds		
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$ 1,951,060	\$ 2,291,068	\$ 470,970	\$ 4,713,098	\$ 115,564
Cash Received from Tap-In Fees	7,700	250	0	7,950	0
Cash Received from Other Operating Receipts	32,585	69,046	0	101,631	0
Cash Payments to Suppliers for Goods and Services	(135,986)	(121,934)	(1,821)	(259,741)	0
Cash Payments to Employees for Services and Benefits	(460,303)	(635,515)	(32,907)	(1,128,725)	0
Cash Payments for Contractual Services	(175,919)	(922,641)	(450,584)	(1,549,144)	(1,610)
Cash Payments for Claims	0	0	0	0	(102,295)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,219,137</u>	<u>680,274</u>	<u>(14,342)</u>	<u>1,885,069</u>	<u>11,659</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers In	0	352,000	0	352,000	0
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Grants and Contributions	194,500	0	0	194,500	0
Proceeds of OWDA Loans	164,613	112,866	0	277,479	0
Payment for Capital Acquisitions	(331,775)	(7,516)	0	(339,291)	0
Principal Payments on Debt	(595,284)	(1,155,135)	0	(1,750,419)	0
Interest Payments on Debt	(395,365)	(318,346)	0	(713,711)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(963,311)</u>	<u>(1,368,131)</u>	<u>0</u>	<u>(2,331,442)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	255,826	(335,857)	(14,342)	(94,373)	11,659
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>258,568</u>	<u>1,118,918</u>	<u>17,406</u>	<u>1,394,892</u>	<u>72,976</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 514,394</u>	<u>\$ 783,061</u>	<u>\$ 3,064</u>	<u>\$ 1,300,519</u>	<u>\$ 84,635</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating Income (Loss)	\$ 647,281	\$ (1,266,999)	\$ (20,647)	\$ (640,365)	\$ 14,354
Adjustments:					
Depreciation	564,925	2,016,981	15,823	2,597,729	0
(Increase) Decrease in Assets:					
Accounts Receivable	22,710	35,968	(2,759)	55,919	0
Prepaid Items	(765)	(657)	(1,072)	(2,494)	2,072
Materials and Supplies Inventory	1,151	(20,160)	0	(19,009)	0
Increase (Decrease) in Liabilities:					
Accounts Payable	(4,237)	7,551	75	3,389	0
Accrued Wages	610	(3,329)	(38)	(2,757)	0
Claims Payable	0	0	0	0	(4,767)
Compensated Absences Payable	(9,940)	(85,413)	(5,579)	(100,932)	0
Intergovernmental Payable	(2,598)	(3,668)	(145)	(6,411)	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,219,137</u>	<u>\$ 680,274</u>	<u>\$ (14,342)</u>	<u>\$ 1,885,069</u>	<u>\$ 11,659</u>

Note: The City has purchased \$5,261 on credit for capital additions.

See accompanying notes to the basic financial statements.

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**City of Delphos**  
**Allen County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

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

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

**B. Basis of Presentation**

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

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

***C. Fund Accounting***

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

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 fund balances. The following are the City's major governmental funds:

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

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

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

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

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

The other enterprise funds of the city account for sanitation service to its residential and commercial users located within and outside of the City.

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

**D. Measurement Focus**

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

***E. Basis of Accounting***

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

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

Non-exchange transactions are transactions in which the City receives value without directly giving equal value in return, including income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes, and motel-hotel taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from the non-exchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources.

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes, homestead and rollback, income taxes, estate taxes and intergovernmental local, state monies and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

***F. Budgetary Data***

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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***Estimated Resources*** – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized property taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2013.

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

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

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

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

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

During fiscal year 2013, the City's investments were limited to a money market deposit account.



**City of Delphos**  
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Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest revenue credited to the general fund during 2013 amounted to \$2,427 which includes \$2,073 assigned from other City funds.

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

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

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

***I. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2013 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

***J. Capital Assets***

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

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

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

***K. Compensated Absences***

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

In accordance with the provisions of GASB Statement No. 16, “*Accounting for Compensated Absences*,” a liability for vacation leave is accrued if, employees’ rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. A liability for vacation leave is based on the vacation leave accumulated at December 31, 2013. Sick leave benefits are accrued as a liability using the termination payments method. An accrual for sick leave is made when it is expected to be liquidated with available financial resources and is recorded as an expenditure and fund liability of the governmental fund that will pay it.

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

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

***M. Interfund Transactions***

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

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

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

***N. Operating Revenues and Expenses***

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

***O. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include parks and recreation, hospital levy, and law enforcement and fire department operations.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**City of Delphos**  
**Allen County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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***P. Fund Balance***

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

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

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

**City of Delphos**  
**Allen County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
(Continued)

***Q. Estimates***

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

***R. Extraordinary and Special Items***

Extraordinary items are transactions and events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2013.

***S. Implementation of New Accounting Policies***

For the year ended December 31, 2013, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,*” GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities,*” and GASB Statement No. 66, “*Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.*”

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the City.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in debt issuance costs being expensed rather than being deferred. This had the following effect on net position as previously reported:

	Sewer	Business-Type Activities
Previously Reported Net Position	\$ 5,538,315	\$ 12,442,194
Unamortized Debt Issuance Costs	(45,040)	(45,040)
Restated Net Position, January 1, 2013	\$ 5,493,275	\$ 12,397,154

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the City.

**City of Delphos**  
**Allen County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
(Continued)

**Note 2 – Budgetary Basis of Accounting**

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

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

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

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

**Net Change in Fund Balance**

	General	Income Tax
GAAP Basis	\$ 52,188	\$ 367,484
Revenue Accruals	(5,464)	(7,338)
Expenditure Accruals	68,155	102
Funds Budgeted Elsewhere*	(2,612)	0
Budget Basis	\$ 112,267	\$ 360,248

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

**City of Delphos**  
**Allen County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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**Note 3 – Accountability**

**A. Fund Deficit**

The fire pension special revenue fund had a deficit fund balance of \$1,139 at December 31, 2013. The deficit fund balance is due to the recognition of accrued liabilities. The general fund is liable for any deficit balance and provides transfers when cash is required, not when accruals occur.

**Note 4 – Deposits and Investments**

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

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

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

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

Interim monies to be deposited or invested in the following securities:

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

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*Notes to the Basic Financial Statements*  
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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2013, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At year-end, the carrying amount of the City's deposits was \$2,406,575. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*" as of December 31, 2013, \$2,139,234 of the City's bank balance of \$2,451,705 was exposed to custodial risk as discussed above, while \$312,471 was covered by Federal Deposit Insurance Corporation.



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**Note 5 – Taxes**

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2013 real property taxes were levied after October 1, 2013 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2013, was \$6.75 per \$1,000 of assessed valuation. The assessed values of real property upon which 2013 property tax receipts were based are as follows:

	<u>Allen County</u>	<u>Van Wert County</u>
Real Property	\$ 64,958,470	\$ 33,384,960
Public Utilities - Real	1,810	1,150
Public Utilities - Personal	<u>1,686,150</u>	<u>1,362,970</u>
Total Assessed Value	<u>\$ 66,646,430</u>	<u>\$ 34,749,080</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Delphos. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property

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taxes, and outstanding delinquencies which became measurable as of December 31, 2013, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**B. Income Taxes**

The City levies an income tax of 1.5 percent on all income earned within the City as well as incomes of City residents earned outside the City. Residents are granted a 0.75 percent credit on income earned and taxed by another Ohio municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City allocates income tax revenues to the general and income tax funds. Tax receipts amounted to \$2,529,725 (modified accrual) in 2013. The income tax is to be divided 67 percent to the general fund and 33 percent to the income tax fund with any expenses of the income tax process to be charged to the income tax fund and the remainder to be transferred to the sewer fund for sewer system improvements. The .5 percent of the income tax was voter approved for safety services.

**Note 6 – Capital Assets**

Governmental activities capital asset activity for the fiscal year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 476,660	\$ 0	\$ 0	\$ 476,660
Construction in progress	10,300	0	(10,300)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>486,960</u>	<u>0</u>	<u>(10,300)</u>	<u>476,660</u>
 <i>Capital Assets, Being Depreciated:</i>				
Buildings	1,461,580	0	0	1,461,580
Land improvements	2,067,659	95,000	0	2,162,659
Vehicles	1,837,432	29,516	(45,422)	1,821,526
Furniture and Equipment	898,311	5,467	0	903,778
<i>Total Capital Assets, Being Depreciated</i>	<u>6,264,982</u>	<u>129,983</u>	<u>(45,422)</u>	<u>6,349,543</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(788,088)	(51,929)	0	(840,017)
Land improvements	(741,904)	(94,989)	0	(836,893)
Vehicles	(1,504,299)	(76,499)	33,877	(1,546,921)
Furniture and Equipment	(718,597)	(32,539)	0	(751,136)
<i>Total Accumulated Depreciation</i>	<u>(3,752,888)</u>	<u>(255,956)</u>	<u>33,877</u>	<u>(3,974,967)</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	 <u>2,512,094</u>	 <u>(125,973)</u>	 <u>(11,545)</u>	 <u>2,374,576</u>
 <i>Total Governmental Activities Capital Assets, Net</i>	 <u>\$ 2,999,054</u>	 <u>\$ (125,973)</u>	 <u>\$ (21,845)</u>	 <u>\$ 2,851,236</u>

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

General Government	\$ 13,887
Security of Persons and Property	91,364
Leisure Time Services	124,850
Transportation	<u>25,855</u>
<b>Total</b>	<b><u>\$ 255,956</u></b>

The business-type activities capital asset activity for the fiscal year ended December 31, 2013 was as follows:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 889,207	\$ 0	\$ 0	\$ 889,207
<i>Total Capital Assets Not Being Depreciated</i>	<u>889,207</u>	<u>0</u>	<u>0</u>	<u>889,207</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	36,334,982	0	0	36,334,982
Land improvements	4,462,441	0	0	4,462,441
Vehicles	728,983	0	0	728,983
Furniture and Equipment	16,480,602	7,516	0	16,488,118
Infrastructure	14,095,877	337,036	0	14,432,913
<i>Total Capital Assets, Being Depreciated</i>	<u>72,102,885</u>	<u>344,552</u>	<u>0</u>	<u>72,447,437</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(5,658,154)	(722,932)	0	(6,381,086)
Land improvements	(633,642)	(102,082)	0	(735,724)
Vehicles	(662,576)	(29,438)	0	(692,014)
Furniture and Equipment	(10,151,347)	(1,477,583)	0	(11,628,930)
Infrastructure	(5,009,880)	(265,694)	0	(5,275,574)
<i>Total Accumulated Depreciation</i>	<u>(22,115,599)</u>	<u>(2,597,729)</u>	<u>0</u>	<u>(24,713,328)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>49,987,286</u>	<u>(2,253,177)</u>	<u>0</u>	<u>47,734,109</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 50,876,493</u>	<u>\$ (2,253,177)</u>	<u>\$ 0</u>	<u>\$ 48,623,316</u>

**Note 7 – Receivables**

Receivables at December 31, 2013 consisted of taxes, accounts (billings for user charged services) and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

**Note 8 – Risk Management**

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

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

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

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

Changes in the fund's claims liability for the years 2013 and 2012 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>		<u>Current</u> <u>Year Claims</u>		<u>Claims</u> <u>Payments</u>		<u>Balance</u> <u>End of Year</u>
2012	\$	4,638	\$	93,336	\$	89,709	\$	8,265
2013		8,265		97,528		102,295		3,498

**Note 9 – Capital Lease**

In 2012, the City entered into two capitalized leases for the acquisition of a dump truck and a police cruiser. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

The dump truck acquired by the lease has been capitalized in the governmental activities in the amount of \$37,546, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

The police cruiser acquired by the lease has been capitalized in the governmental activities in the amount of \$28,332, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

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The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2013:

	Governmental Activities Capital Lease
Year ending December 31, 2014	\$ 23,288
Less: amount representing interest at the City's incremental borrowing rate of interest	(1,117)
Present value of net minimum lease payments	\$ 22,171

**Note 10 – Long-Term Obligations**

Changes in the long-term obligations of the City during 2013 were as follows:

	Outstanding 1/1/2013	Additions	Deletions	Outstanding 12/31/2013	Amounts Due In One Year
<b>Governmental activities:</b>					
Capital lease obligation	\$ 43,280	\$ 0	\$ (21,109)	\$ 22,171	\$ 22,171
Compensated Absences	522,496	150,082	(157,871)	514,707	131,586
<i>Total Governmental Activities long-term liabilities</i>	\$ 565,776	\$ 150,082	\$ (178,980)	\$ 536,878	\$ 153,757
<b>Business-Type activities:</b>					
General Obligation Bonds:					
Water plant improvement, 3.25%-4.875%	\$ 1,669,699	\$ 0	\$ (195,050)	\$ 1,474,649	\$ 202,928
<i>Total General Obligation Bonds</i>	1,669,699	0	(195,050)	1,474,649	202,928
OWDA loans:					
1995 OWDA loan, 4.35%	930,181	0	(360,116)	570,065	375,952
2005 OWDA loan, .95%	24,656,334	112,866	(795,018)	23,974,182	1,608,958
2006 OWDA loan, 2.00%	12,205,290	115,499	(350,879)	11,969,910	719,260
2007 OWDA loan, 4.32%	741,329	0	(16,939)	724,390	17,679
2007 OWDA loan, 2.00%	484,860	2,780	(14,495)	473,145	29,600
2013 OWDA loan, 2.00%	0	46,334	(1,233)	45,101	0
<i>Total OWDA Loans</i>	39,017,994	277,479	(1,538,680)	37,756,793	2,751,449
OPWC Loans:					
1999 OPWC loan, 0%	51,292	0	(7,891)	43,401	7,891
2007 OPWC loan, 0%	136,375	0	(8,798)	127,577	8,798
<i>Total OPWC Loans</i>	187,667	0	(16,689)	170,978	16,689
Compensated absences	295,115	0	(100,932)	194,183	60,408
<i>Total business-type activities, long-term liabilities</i>	\$ 41,170,475	\$ 277,479	\$ (1,851,351)	\$ 39,596,603	\$ 3,031,474

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The 1995 Ohio Water Development Authority (OWDA) loan was for improvements to the wastewater treatment plant. The full amount of the loan was \$5,263,160 and matures in the year 2015.

The 2005, Ohio Water Development Authority (OWDA) loan was for construction of a new wastewater treatment plant. The full amount of the loan was \$32,843,045 and matures in the year 2028.

The 2006 and 2007 Ohio Water Development Authority (OWDA) loans were for construction of a new water treatment plant and reservoir. The loan amounts are 15,294,870 and \$635,090 respectively. The wastewater treatment plant was up and running in October 2007. Income taxes and revenue of the facilities will be pledged to repay the debt. Both loans mature in the year 2028.

The 2007 Ohio Water Development Authority (OWDA) loan was for the construction of an upground water reservoir tank. The full amount of the loan was \$789,208 and matures in the year 2038.

The 2013 Ohio Water Development Authority (OWDA) loan is for the construction of a waterline loop. Construction was started in 2013. The loan was approved for \$60,257 and \$46,334 was drawn down in 2013. There is no amortization schedule available at this time. Therefore, it has not been included in the amortization schedule below. The City's water system revenue will be used for the principal repayment. This loan matures in the year 2033.

The 1999 Ohio Public Works Commission (OPWC) loan is for the construction of an elevated water tank. Construction started and completed in 2000. The full amount of the loan was \$157,813 and matures in the year 2019. The City water system revenue will be used for the principal repayment.

The 2007 Ohio Public Works Commission (OPWC) loan is for the construction of an upground waterline. Construction was started and completed in 2007. The full amount of the loan was \$175,968 and matures in the year 2028. The City water system revenue will be used for the principal repayment.

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

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

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

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The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$37,927,771 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 112.34 percent. The total principal and interest remaining to be paid on the loans is \$42,036,023. Principal and interest paid for the current year and total net revenues were \$2,204,274 and \$1,962,188, respectively.

The annual requirements to amortize all bonded debt and loans as of December 31, 2013 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2014	\$ 202,928	\$ 56,998	\$ 2,751,449	\$ 520,935	\$ 16,689	\$ 2,971,066	\$ 577,933
2015	211,127	48,799	2,600,755	473,277	16,689	2,828,571	522,076
2016	219,552	40,374	2,438,270	437,409	16,690	2,674,512	477,783
2017	228,526	31,400	2,470,389	405,291	16,688	2,715,603	436,691
2018	237,758	22,168	2,503,007	372,673	16,690	2,757,455	394,841
2019-2023	374,758	15,131	13,022,497	1,355,900	47,940	13,445,195	1,371,031
2024-2028	0	0	11,564,734	464,306	39,592	11,604,326	464,306
2029-2033	0	0	183,135	60,783	0	183,135	60,783
2034-2038	0	0	177,456	17,678	0	177,456	17,678
Totals	<u>\$ 1,474,649</u>	<u>\$ 214,870</u>	<u>\$ 37,711,692</u>	<u>\$ 4,108,252</u>	<u>\$ 170,978</u>	<u>\$ 39,357,319</u>	<u>\$ 4,323,122</u>

***Compensated Absences/Capital Leases***

Compensated absences will be paid from the General Fund, Income Tax Fund and the Street Maintenance Fund. Capital leases will be paid from the General Fund and the Street Maintenance Fund.

**Note 11 – Other Employee Benefits**

***Compensated Absences***

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

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

As of December 31, 2013, the liability for unpaid compensated absences was \$708,890 for the entire City.

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**Note 12 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2013, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were \$185,629, \$155,722, and \$167,864, respectively. For 2013, 92 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions made to the Member-Directed Plan for 2013 were \$420 made by the City and \$300 made by the plan members.



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

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

Funding Policy - From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$91,168 and \$79,985 for the year ended December 31, 2013, \$73,767 and \$68,766 for the year ended December 31, 2012, and \$92,141 and \$81,672 for the year ended December 31, 2011, respectively. 90 percent for police and 92 percent for firefighters has been contributed for 2013. The full amount has been contributed for 2012 and 2011.

**Note 13 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0 percent during calendar year 2013.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$14,279, \$62,289 and \$67,145, respectively. For 2013, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 4.69 percent of covered payroll from January 1, 2013 through May 31, 2013 and 2.85 percent of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$18,719 and \$12,938 for the year ended December 31, 2013, \$39,053 and \$26,909 for the year ended December 31, 2012, and \$48,780 and \$31,959 for the year ended December 31, 2011. 90 percent has been contributed for police and 92 percent has been contributed for firefighters for 2013. The full amount has been contributed for 2012 and 2011.

**Note 14 – Contingencies**

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

**City of Delphos**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
*(Continued)*

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

**Note 15 – Interfund Transfers**

Transfers at December 31, 2013 consisted of the following:

Transfer To	Transfer From		Total
	General	Income Tax	
Nonmajor Governmental	\$ 151,000	\$ 0	\$ 151,000
Sewer	0	352,000	352,000
<i>Total</i>	\$ 151,000	\$ 352,000	\$ 503,000

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

Income tax revenue is transferred to the sewer fund, per City Ordinance, for repayment of debt. The general fund transferred \$151,000 to various non-major governmental funds to provide additional resources for current operations.

**Note 16 – Fund Balance**

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

**City of Delphos**  
**Allen County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*  
(Continued)

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

	<u>General Fund</u>	<u>Income Tax</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable for:				
Inventory	\$ 1,745	\$ 0	\$ 12,937	\$ 14,682
Prepays	22,887	130	1,961	24,978
Unclaimed Monies	<u>2,749</u>	<u>0</u>	<u>0</u>	<u>2,749</u>
Total Nonspendable	<u>27,381</u>	<u>130</u>	<u>14,898</u>	<u>42,409</u>
Restricted for:				
Street Maintenance	0	0	232,906	232,906
Public Safety	0	0	15,123	15,123
Economic Development	<u>0</u>	<u>0</u>	<u>1,145</u>	<u>1,145</u>
Total Restricted	<u>0</u>	<u>0</u>	<u>249,174</u>	<u>249,174</u>
Committed for:				
Guaranteed Street Bond	0	0	20,918	20,918
Income Tax	<u>0</u>	<u>584,456</u>	<u>0</u>	<u>584,456</u>
Total Committed	<u>0</u>	<u>584,456</u>	<u>20,918</u>	<u>605,374</u>
Assigned:				
Subsequent Year Appropriations	292,639	0	0	292,639
Unassigned	<u>160,062</u>	<u>0</u>	<u>(1,139)</u>	<u>158,923</u>
Total Fund Balance	<u>\$ 480,082</u>	<u>\$ 584,586</u>	<u>\$ 283,851</u>	<u>\$ 1,348,519</u>

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Delphos  
Allen County  
608 North Canal Street  
Delphos, Ohio 45833

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 11, 2014. As disclosed in Note 1S, the City implemented GASB Statement No. 65 and restated the net position for the Business Type Activities and Sewer Fund as of January 1, 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 11, 2014





# Dave Yost • Auditor of State

**CITY OF DELPHOS**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 9, 2014**