

City of Delphos
Allen County, Ohio

Basic Financial Statements

For the Year Ended
December 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditors' Report* of the City of Delphos, Allen County, prepared by Rehmann Robson LLC, for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Delphos is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

September 30, 2020

This page intentionally left blank.

**CITY OF DELPHOS
ALLEN COUNTY, OHIO**

Table of Contents

	<i>Page</i>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – Street Maintenance Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Income Tax Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - Park Fund	24
Statement of Fund Net Position - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Notes to the Basic Financial Statements	28

Required Supplementary Information:

Schedule of the City's Proportionate Share of the Net Pension Liability	71
Schedule of City Contributions - Pension	72
Schedule of the City's Proportionate Share of the Net OPEB Liability	75
Schedule of City Contributions - OPEB	76
Notes to the Required Supplementary Information	78

INDEPENDENT AUDITORS' REPORT

July 31, 2020

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

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, Ohio* (the "City") as of and for the year ended December 31, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Beginning Fund Balance / Net Position

As discussed in Note 2 to the financial statements, beginning fund balance of general, water, sewer, and sanitation funds and beginning net position of governmental activities and business-type activities was restated for the classification of utility customer deposits and to correct an error in the calculation of accounts receivable for utility customers. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020, on our consideration of the City of Delphos, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The image shows a handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

This page intentionally left blank

This page intentionally left blank

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

The discussion and analysis of the City of Delphos' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. 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 2018 are as follows:

- In total, net position increased \$3,331,081, which represents a 20 percent increase from 2017. Net position of governmental activities increased \$939,784. Net position of business-type activities increased \$2,391,297.
- Total capital assets increased \$2,052,054 in 2018. Capital assets of governmental activities increased \$1,089,141 and capital assets of business-type activities increased \$962,913.
- Outstanding debt decreased from \$31,265,233 to \$30,985,339.
- The City implemented GASB 75, which reduced beginning net position as previously reported by \$2,310,789 and \$409,634 for governmental and business-type activities, respectively. See Note 2 for impact of additional restatements.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City 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 2018 and how they affected the operations of the City as a whole.

Reporting the City 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, 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, 2018

A question typically asked about the City's finances "How did we do financially during 2018?" 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'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, the street maintenance fund, the income tax fund and the park 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, 2018

The City 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 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	Restated			Restated		
	2018	2017	Change	2018	2017	Change
Assets						
Current and Other Assets	\$ 5,147,835	\$ 4,867,340	\$ 280,495	\$ 3,994,301	\$ 3,511,557	\$ 482,744
Capital Assets	4,225,927	3,136,786	1,089,141	45,636,935	44,674,022	962,913
<i>Total Assets</i>	<u>9,373,762</u>	<u>8,004,126</u>	<u>1,369,636</u>	<u>49,631,236</u>	<u>48,185,579</u>	<u>1,445,657</u>
Deferred Outflows of Resources						
Pension & OPEB	1,604,497	1,135,711	468,786	265,445	380,773	(115,328)
<i>Total Deferred Outflows of Resources</i>	<u>1,604,497</u>	<u>1,135,711</u>	<u>468,786</u>	<u>265,445</u>	<u>380,773</u>	<u>(115,328)</u>
Liabilities						
Current and Other Liabilities	231,488	245,850	(14,362)	344,657	1,116,634	(771,977)
Long-Term Liabilities:						
Due within One Year	89,022	97,042	(8,020)	3,167,472	2,969,834	197,638
Due in More Than One Year:						
Net Pension Liability	3,485,272	3,485,127	145	714,670	957,590	(242,920)
Net OPEB Liability	3,059,330	2,321,499	737,831	481,428	415,442	65,986
Other Amounts	315,613	384,858	(69,245)	28,125,947	28,604,231	(478,284)
<i>Total Liabilities</i>	<u>7,180,725</u>	<u>6,534,376</u>	<u>646,349</u>	<u>32,834,174</u>	<u>34,063,731</u>	<u>(1,229,557)</u>
Deferred Inflows of Resources						
Property Taxes	424,802	412,411	12,391	0	0	0
Pension & OPEB	402,071	122,610	279,461	204,288	7,444	196,844
<i>Total Deferred Inflows of Resources</i>	<u>826,873</u>	<u>535,021</u>	<u>291,852</u>	<u>204,288</u>	<u>7,444</u>	<u>196,844</u>
Net Position						
Net Investment in Capital Assets	4,211,161	3,133,601	1,077,560	15,162,670	13,293,506	1,869,164
Restricted	916,368	1,185,448	(269,080)	0	0	0
Unrestricted	(2,156,868)	(2,288,172)	131,304	1,695,549	1,173,416	522,133
<i>Total Net Position</i>	<u>\$ 2,970,661</u>	<u>\$ 2,030,877</u>	<u>\$ 939,784</u>	<u>\$ 16,858,219</u>	<u>\$ 14,466,922</u>	<u>\$ 2,391,297</u>

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, by \$2,310,789 for governmental activities and \$409,634 for business-type activities.

At year end, capital assets represented 85 percent of total assets. Capital assets include land, land improvements, buildings, equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt were \$19,373,831 at December 31, 2018, with \$4,211,161 in governmental activities and \$15,162,670 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, \$916,368 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$461,319.

For governmental type activities, the City saw an increase in capital assets. This was caused by an increase in construction in progress for a large paving project that will be capitalized.

For business type activities, the City saw an increase in current and other assets. This was primarily caused by an increase in cash and cash equivalents, as the sewer fund's revenue outpaced expenses. Current and other liabilities shows a large decrease primarily caused by contracts payable decreasing. The City had a large contract payable in 2017 related to the Waste Water Treatment Plant.

For both governmental and business-type activities, the changes reflected in NPL, NOL and deferred outflows/inflows of resources relating to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 693,478	\$ 784,530	\$ (91,052)	\$ 5,743,670	\$ 5,374,913	\$ 368,757
Operating Grants	526,011	633,261	(107,250)	10,000	27,707	(17,707)
Capital Grants	571,846	735,364	(163,518)	0	0	0
<i>General Revenues:</i>						
Property Taxes	415,385	413,262	2,123	0	0	0
Income Taxes	3,776,855	3,169,878	606,977	0	0	0
Grants and Entitlements	291,729	226,449	65,280	0	0	0
Gain on Disposal of Capital Assets	0	0	0	0	53,738	(53,738)
Investment Earnings	22,245	5,255	16,990	0	0	0
Other	17,242	23,875	(6,633)	22,574	7,825	14,749
<i>Total Revenues</i>	6,314,791	5,991,874	322,917	5,776,244	5,464,183	312,061
Program Expenses						
General Government	349,193	356,078	(6,885)	0	0	0
Security of Persons and Property	2,601,301	2,213,194	388,107	0	0	0
Public Health	46,087	22,551	23,536	0	0	0
Leisure Time Services	689,685	705,044	(15,359)	0	0	0
Transportation	708,741	678,000	30,741	0	0	0
Interest and Fiscal Charges	0	855	(855)	0	0	0
<i>Enterprise Operations:</i>						
Water	0	0	0	1,810,997	2,047,270	(236,273)
Sewer	0	0	0	2,177,460	2,250,858	(73,398)
Sanitation	0	0	0	376,490	490,443	(113,953)
<i>Total Program Expenses</i>	4,395,007	3,975,722	419,285	4,364,947	4,788,571	(423,624)
<i>Increase (Decrease) in Net Position</i>	1,919,784	2,016,152	(96,368)	1,411,297	675,612	735,685
Transfers	(980,000)	(1,105,000)	125,000	980,000	1,105,000	(125,000)
<i>Change in Net Position</i>	939,784	911,152	28,632	2,391,297	1,780,612	610,685
<i>Net Position Beginning of Year</i>	2,030,877	3,470,077	(1,439,200)	14,466,922	13,548,466	918,456
<i>Restatement - See Note 2</i>	0	(2,350,352)	2,350,352	0	(862,156)	862,156
<i>Net Position End of Year</i>	\$ 2,970,661	\$ 2,030,877	\$ 939,784	\$ 16,858,219	\$ 14,466,922	\$ 2,391,297

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$16,518 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$327,458. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

	Governmental Activities	Business-Type Activities
Total 2018 Expenses under GASB 75	\$ 4,395,007	\$ 4,364,947
OPEB Expense under GASB 75	(277,110)	(50,348)
2018 Contractually Required Contributions	5,334	0
Adjusted 2018 Expenses	4,123,231	4,314,599
Total 2017 Expenses under GASB 45	3,975,722	4,788,571
Increase/(Decrease) in Expenses not Related to OPEB	\$ 147,509	\$ (473,972)

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 and charges for services.

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 City had a significant increase in income tax revenue during 2018. This can be attributed to an improving local economy.

Police and fire represent the largest expense of the Governmental Activities. 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.

The City also maintains a cemetery (public health) and a park (leisure time services) within the City.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. See discussion regarding proprietary funds for more analysis.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

The City's Funds

Governmental Funds

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund is the chief operating fund of the City. The fund balance of the general fund increased by \$559,898 during the current fiscal year. This increase is primarily the result of fewer resources being transferred out of the general fund. The increase can also be attributed to an increase in income taxes.

The street maintenance fund had a \$92,373 decrease in fund balance due to an increase in expenditures that relate to a new street project.

The fund balance of the income tax fund decreased by \$64,549. The residual balance in this fund is transferred to the sewer fund for capital improvements.

The park fund's net change in fund balance for fiscal year 2018 was a decrease of \$84,167. This decrease is the result of fewer contributions and donations paired with the loss of a grant.

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 at the end of the year was a deficit balance of \$318,968, and the sewer fund was \$1,938,141 and the sanitation was \$78,986. Total growth in net position for these funds was \$484,749, \$1,780,852 and \$100,051, respectively. The increases in net position is the result of revenues exceeding expenses for all three funds due to rate increases in May 2018.

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 2018, 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.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Original Budget Compared to Final Budget

During the year there was a need to make amendments to increase the original estimated revenues. The City appropriates the full amount available. Therefore, when amendments were made to estimated revenues, appropriations were adjusted by the same amounts.

Final Budget Compared to Actual Results

Actual expenditures were significantly less than final budget amounts due to the City appropriating the total amount legally available for appropriation.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 476,660	\$ 476,660	\$ 889,207	\$ 889,207	\$ 1,365,867	\$ 1,365,867
Buildings	390,604	424,696	26,371,533	27,075,657	26,762,137	27,500,353
Land Improvements	1,258,131	1,361,384	3,216,310	3,318,392	4,474,441	4,679,776
Vehicles	348,507	160,527	33,839	22,346	382,346	182,873
Equipment	706,684	610,606	2,382,482	2,247,889	3,089,166	2,858,495
Infrastructure	0	0	9,548,822	8,208,073	9,548,822	8,208,073
Construction in Progress	1,045,341	102,913	3,194,742	2,912,458	4,240,083	3,015,371
<i>Total</i>	<u>\$ 4,225,927</u>	<u>\$ 3,136,786</u>	<u>\$ 45,636,935</u>	<u>\$ 44,674,022</u>	<u>\$ 49,862,862</u>	<u>\$ 47,810,808</u>

See Note 8 for additional information about the capital assets of the City.

Construction in progress for governmental activities increased \$942,428 as a result of an ongoing ODOT paving project. For business-type activities construction in progress increased \$282,284. The City has a waste water treatment improvement project that is being completed in multiple phases. Phase one and two were started in a prior year and phase one was completed in 2018. Phase two is ongoing.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Debt

Table 4 summarizes outstanding debt. See Notes 13 and 14 for additional details.

Table 4
Outstanding Debt, at December 31

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 374,896	\$ 612,654
OPWC Loans	1,334,605	1,419,015
OWDA Loans	29,061,601	28,951,967
Capital Leases	<u>214,237</u>	<u>281,597</u>
<i>Total</i>	<u>\$ 30,985,339</u>	<u>\$ 31,265,233</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 Auditor of City of Delphos, 608 North Canal Street, Delphos, Ohio 45833-2401 or call (419) 695-4010.

City of Delphos
Allen County, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,125,903	\$ 3,352,372	\$ 6,478,275
Cash and Cash Equivalents with Fiscal Agents	20,441	0	20,441
Accounts Receivable	154,913	723,501	878,414
Intergovernmental Receivable	265,304	0	265,304
Property Taxes Receivable	431,521	0	431,521
Income Taxes Receivable	1,022,712	0	1,022,712
Internal Balances	102,610	(102,610)	0
Prepaid Items	24,431	21,038	45,469
Non-Depreciable Capital Assets	1,522,001	4,083,949	5,605,950
Depreciable Capital Assets, Net	2,703,926	41,552,986	44,256,912
<i>Total Assets</i>	<u>9,373,762</u>	<u>49,631,236</u>	<u>59,004,998</u>
Deferred Outflows of Resources			
Pension	1,063,930	208,136	1,272,066
OPEB	540,567	57,309	597,876
<i>Total Deferred Outflows of Resources</i>	<u>1,604,497</u>	<u>265,445</u>	<u>1,869,942</u>
Liabilities			
Accounts Payable	79,488	115,448	194,936
Accrued Wages	65,337	36,123	101,460
Contracts Payable	8,750	127,652	136,402
Retainage Payable	6,016	40,000	46,016
Intergovernmental Payable	34,393	12,756	47,149
Accrued Interest Payable	0	12,678	12,678
Claims Payable	31,033	0	31,033
Matured Compensated Absences Payable	6,471	0	6,471
Long-Term Liabilities:			
Due Within One Year	89,022	3,167,472	3,256,494
Due In More Than One Year:			
Net Pension Liability	3,485,272	714,670	4,199,942
Net OPEB Liability	3,059,330	481,428	3,540,758
Other Amounts Due in More Than One Year	315,613	28,125,947	28,441,560
<i>Total Liabilities</i>	<u>7,180,725</u>	<u>32,834,174</u>	<u>40,014,899</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	424,802	0	424,802
Pension	338,269	168,425	506,694
OPEB	63,802	35,863	99,665
<i>Total Deferred Inflows of Resources</i>	<u>826,873</u>	<u>204,288</u>	<u>1,031,161</u>
Net Position			
Net Investment in Capital Assets	4,211,161	15,162,670	19,373,831
Restricted for:			
Capital Projects	196,042	0	196,042
Streets	210,403	0	210,403
Public Safety	332,624	0	332,624
Economic Development	3,639	0	3,639
Other Purposes	173,660	0	173,660
Unrestricted	(2,156,868)	1,695,549	(461,319)
<i>Total Net Position</i>	<u>\$ 2,970,661</u>	<u>\$ 16,858,219</u>	<u>\$ 19,828,880</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Activities
For the Year Ended December 31, 2018

	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
Governmental Activities							
General Government	\$ 349,193	\$ 191,348	\$ 0	\$ 0	\$ (157,845)	\$ 0	\$ (157,845)
Security of Persons and Property	2,601,301	384,969	58,710	41,580	(2,116,042)	0	(2,116,042)
Public Health	46,087	0	0	0	(46,087)	0	(46,087)
Leisure Time Services	689,685	116,461	10,750	0	(562,474)	0	(562,474)
Community Development	0	250	0	0	250	0	250
Transportation	708,741	450	456,551	530,266	278,526	0	278,526
<i>Total Governmental Activities</i>	<u>4,395,007</u>	<u>693,478</u>	<u>526,011</u>	<u>571,846</u>	<u>(2,603,672)</u>	<u>0</u>	<u>(2,603,672)</u>
Business-Type Activities							
Water	1,810,997	2,290,160	10,000	0	0	489,163	489,163
Sewer	2,177,460	2,975,949	0	0	0	798,489	798,489
Sanitation	376,490	477,561	0	0	0	101,071	101,071
<i>Total Business-Type Activities</i>	<u>4,364,947</u>	<u>5,743,670</u>	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>1,388,723</u>	<u>1,388,723</u>
<i>Total</i>	<u>\$ 8,759,954</u>	<u>\$ 6,437,148</u>	<u>\$ 536,011</u>	<u>\$ 571,846</u>	<u>(2,603,672)</u>	<u>1,388,723</u>	<u>(1,214,949)</u>
General Revenues:							
Property Taxes Levied for:							
					357,525	0	357,525
					57,860	0	57,860
Income Taxes Levied for:							
					2,152,295	0	2,152,295
					1,101,461	0	1,101,461
					523,099	0	523,099
					291,729	0	291,729
					22,245	0	22,245
					17,242	22,574	39,816
<i>Total General Revenues</i>					<u>4,523,456</u>	<u>22,574</u>	<u>4,546,030</u>
Transfers					(980,000)	980,000	0
<i>Total General Revenues and Transfers</i>					<u>3,543,456</u>	<u>1,002,574</u>	<u>0</u>
<i>Change in Net Position</i>					939,784	2,391,297	3,331,081
<i>Net Position Beginning of Year (Restated, see Note 2)</i>					<u>2,030,877</u>	<u>14,466,922</u>	<u>16,497,799</u>
<i>Net Position End of Year</i>					<u>\$ 2,970,661</u>	<u>\$ 16,858,219</u>	<u>\$ 19,828,880</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Street Maintenance	Income Tax	Park	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 2,219,421	\$ 62,741	\$ 121,360	\$ 61,666	\$ 597,539	\$ 3,062,727
Accounts Receivable	154,913	0	0	0	0	154,913
Intergovernmental Receivable	91,127	156,681	0	0	17,496	265,304
Property Taxes Receivable	370,895	0	0	0	60,626	431,521
Income Taxes Receivable	646,254	0	217,729	158,729	0	1,022,712
Prepaid Items	17,008	4,187	0	3,236	0	24,431
Advances to Other Funds	100,000	0	0	0	0	100,000
<i>Total Assets</i>	<u>\$ 3,599,618</u>	<u>\$ 223,609</u>	<u>\$ 339,089</u>	<u>\$ 223,631</u>	<u>\$ 675,661</u>	<u>\$ 5,061,608</u>
Liabilities						
Accounts Payable	\$ 30,750	\$ 5,464	\$ 34,502	\$ 4,214	\$ 4,558	\$ 79,488
Accrued Wages	53,596	5,593	1,788	4,360	0	65,337
Contracts Payable	0	0	0	0	8,750	8,750
Retainage Payable	0	6,016	0	0	0	6,016
Intergovernmental Payable	3,595	2,007	707	1,717	26,367	34,393
Matured Compensated Absences Payable	6,471	0	0	0	0	6,471
<i>Total Liabilities</i>	<u>94,412</u>	<u>19,080</u>	<u>36,997</u>	<u>10,291</u>	<u>39,675</u>	<u>200,455</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	365,206	0	0	0	59,596	424,802
Unavailable Revenue	625,338	103,397	111,783	107,583	13,362	961,463
<i>Total Deferred Inflows of Resources</i>	<u>990,544</u>	<u>103,397</u>	<u>111,783</u>	<u>107,583</u>	<u>72,958</u>	<u>1,386,265</u>
Fund Balances						
Nonspendable	120,199	4,187	0	3,236	0	127,622
Restricted	0	96,945	0	102,521	544,528	743,994
Committed	0	0	190,309	0	18,500	208,809
Assigned	2,195,738	0	0	0	0	2,195,738
Unassigned	198,725	0	0	0	0	198,725
<i>Total Fund Balances</i>	<u>2,514,662</u>	<u>101,132</u>	<u>190,309</u>	<u>105,757</u>	<u>563,028</u>	<u>3,474,888</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 3,599,618</u>	<u>\$ 223,609</u>	<u>\$ 339,089</u>	<u>\$ 223,631</u>	<u>\$ 675,661</u>	<u>\$ 5,061,608</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, 2018

Total Governmental Fund Balances		\$ 3,474,888
<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.		4,225,927
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 6,719	
Income Tax	657,382	
Intergovernmental	179,482	
Charges for Services	<u>117,880</u>	961,463
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.		55,194
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	1,063,930	
Deferred Outflows - OPEB	540,567	
Deferred Inflows - Pension	(338,269)	
Deferred Inflows - OPEB	(63,802)	
Net Pension Liability	(3,485,272)	
Net OPEB Liability	<u>(3,059,330)</u>	(5,342,176)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		<u>(404,635)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 2,970,661</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, 2018

	General	Street Maintenance	Income Tax	Park	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 359,631	\$ 0	\$ 0	\$ 0	\$ 58,080	\$ 417,711
Income Taxes	2,074,674	0	1,055,680	504,034	0	3,634,388
Charges for Services	616,790	0	0	0	250	617,040
Licenses and Permits	42,348	0	0	0	450	42,798
Fines and Forfeitures	0	0	0	0	3,669	3,669
Intergovernmental	315,533	308,033	0	0	221,564	845,130
Interest	22,077	0	0	0	0	22,077
Rent	21,150	0	0	0	0	21,150
Contributions and Donations	0	0	0	10,750	26,850	37,600
Other	12,277	8	100	4,857	0	17,242
<i>Total Revenues</i>	<u>3,464,480</u>	<u>308,041</u>	<u>1,055,780</u>	<u>519,641</u>	<u>310,863</u>	<u>5,658,805</u>
Expenditures						
Current:						
General Government	184,135	0	140,329	0	0	324,464
Security of Persons and Property	2,107,637	0	0	0	280,962	2,388,599
Public Health	46,087	0	0	0	0	46,087
Leisure Time Services	0	0	0	603,808	0	603,808
Transportation	169,848	322,028	0	0	71,294	563,170
Capital Outlay	0	150,401	0	0	406,254	556,655
<i>Total Expenditures</i>	<u>2,507,707</u>	<u>472,429</u>	<u>140,329</u>	<u>603,808</u>	<u>758,510</u>	<u>4,482,783</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>956,773</u>	<u>(164,388)</u>	<u>915,451</u>	<u>(84,167)</u>	<u>(447,647)</u>	<u>1,176,022</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	8,125	2,015	0	0	0	10,140
Transfers In	0	70,000	0	0	590,924	660,924
Transfers Out	(405,000)	0	(980,000)	0	(255,924)	(1,640,924)
<i>Total Other Financing Sources (Uses)</i>	<u>(396,875)</u>	<u>72,015</u>	<u>(980,000)</u>	<u>0</u>	<u>335,000</u>	<u>(969,860)</u>
<i>Net Change in Fund Balance</i>	559,898	(92,373)	(64,549)	(84,167)	(112,647)	206,162
<i>Fund Balance Beginning of Year</i>	<u>1,954,764</u>	<u>193,505</u>	<u>254,858</u>	<u>189,924</u>	<u>675,675</u>	<u>3,268,726</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,514,662</u>	<u>\$ 101,132</u>	<u>\$ 190,309</u>	<u>\$ 105,757</u>	<u>\$ 563,028</u>	<u>\$ 3,474,888</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, 2018*

Net Change in Fund Balances - Total Governmental Funds	\$	206,162
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital Asset Additions	\$ 1,394,642	
Current Year Depreciation	<u>(298,165)</u>	1,096,477
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.		
		(7,336)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(2,326)	
Income Tax	142,467	
Intergovernmental	(23,410)	
Charges for Services	<u>8,821</u>	125,552
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	296,459	
OPEB	<u>5,334</u>	301,793
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(573,334)	
OPEB	<u>(277,110)</u>	(850,444)
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.		
		(9,685)
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		<u>77,265</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>939,784</u></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
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 378,000	\$ 459,546	\$ 359,631	\$ (99,915)
Income Taxes	2,000,000	2,478,643	2,110,902	(367,741)
Charges for Services	535,000	676,769	625,228	(51,541)
Licenses and Permits	42,000	54,576	55,461	885
Intergovernmental	246,000	317,066	313,414	(3,652)
Interest	4,000	9,006	22,077	13,071
Rent	20,000	24,796	21,150	(3,646)
Other	14,000	18,598	20,278	1,680
<i>Total Revenues</i>	3,239,000	4,039,000	3,528,141	(510,859)
Expenditures				
Current:				
General Government	2,024,355	2,539,355	201,171	2,338,184
Security of Persons and Property	2,104,200	2,314,200	2,109,900	204,300
Public Health	47,000	47,000	46,087	913
Transportation	206,112	211,112	201,983	9,129
<i>Total Expenditures</i>	4,381,667	5,111,667	2,559,141	2,552,526
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,142,667)	(1,072,667)	969,000	2,041,667
Other Financing Sources (Uses)				
Transfers Out	(485,000)	(555,000)	(405,000)	150,000
<i>Net Change in Fund Balance</i>	(1,627,667)	(1,627,667)	564,000	2,191,667
<i>Fund Balance Beginning of Year</i>	1,619,829	1,619,829	1,619,829	0
Prior Year Encumbrances Appropriated	8,633	8,633	8,633	0
<i>Fund Balance End of Year</i>	\$ 795	\$ 795	\$ 2,192,462	\$ 2,191,667

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
Street Maintenance Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Intergovernmental	\$ 356,280	\$ 364,373	\$ 305,592	\$ (58,781)
Other	399	453	2,023	1,570
<i>Total Revenues</i>	<u>356,679</u>	<u>364,826</u>	<u>307,615</u>	<u>(57,211)</u>
Expenditures				
Current:				
Transportation	372,201	452,201	324,075	128,126
Capital Outlay	144,385	144,385	144,385	0
<i>Total Expenditures</i>	<u>516,586</u>	<u>596,586</u>	<u>468,460</u>	<u>128,126</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(159,907)</u>	<u>(231,760)</u>	<u>(160,845)</u>	<u>70,915</u>
Other Financing Sources (Uses)				
Transfers In	13,808	85,662	70,000	(15,662)
<i>Net Change in Fund Balance</i>	(146,099)	(146,098)	(90,845)	55,253
<i>Fund Balance Beginning of Year</i>	<u>153,586</u>	<u>153,586</u>	<u>153,586</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 7,487</u>	<u>\$ 7,488</u>	<u>\$ 62,741</u>	<u>\$ 55,253</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$ 1,030,000	\$ 1,229,981	\$ 1,074,112	\$ (155,869)
Other	0	19	100	81
<i>Total Revenues</i>	<u>1,030,000</u>	<u>1,230,000</u>	<u>1,074,212</u>	<u>(155,788)</u>
Expenditures				
Current:				
General Government	249,382	449,382	172,253	277,129
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>780,618</u>	<u>780,618</u>	<u>901,959</u>	<u>121,341</u>
Other Financing Sources (Uses)				
Transfers Out	(980,000)	(980,000)	(980,000)	0
<i>Net Change in Fund Balance</i>	(199,382)	(199,382)	(78,041)	121,341
<i>Fund Balance Beginning of Year</i>	199,210	199,210	199,210	0
Prior Year Encumbrances Appropriated	176	176	176	0
<i>Fund Balance End of Year</i>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 121,345</u>	<u>\$ 121,341</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
Park Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Income Taxes	\$ 448,268	\$ 538,522	\$ 512,932	\$ (25,590)
Contributions and Donations	10,000	17,000	10,750	(6,250)
Other	252	2,998	4,857	1,859
<i>Total Revenues</i>	<u>458,520</u>	<u>558,520</u>	<u>528,539</u>	<u>(29,981)</u>
Expenditures				
Current:				
Leisure Time Services	592,976	692,976	604,372	88,604
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(134,456)</u>	<u>(134,456)</u>	<u>(75,833)</u>	<u>58,623</u>
<i>Net Change in Fund Balance</i>	(134,456)	(134,456)	(75,833)	58,623
<i>Fund Balance Beginning of Year</i>	134,456	134,456	134,456	0
Prior Year Encumbrances Appropriated	1,521	1,521	1,521	0
<i>Fund Balance End of Year</i>	<u>\$ 1,521</u>	<u>\$ 1,521</u>	<u>\$ 60,144</u>	<u>\$ 117,246</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 767,838	\$ 2,534,569	\$ 49,965	\$ 3,352,372	\$ 63,176
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0	20,441
Accounts Receivable	296,929	373,502	53,070	723,501	0
Prepaid Items	6,334	14,704	0	21,038	0
<i>Total Current Assets</i>	<u>1,071,101</u>	<u>2,922,775</u>	<u>103,035</u>	<u>4,096,911</u>	<u>83,617</u>
<i>Non-Current Assets:</i>					
Non-Depreciable Capital Assets	12,658	4,071,291	0	4,083,949	0
Depreciable Capital Assets, Net	18,428,412	23,114,124	10,450	41,552,986	0
<i>Total Non-Current Assets</i>	<u>18,441,070</u>	<u>27,185,415</u>	<u>10,450</u>	<u>45,636,935</u>	<u>0</u>
<i>Total Assets</i>	<u>19,512,171</u>	<u>30,108,190</u>	<u>113,485</u>	<u>49,733,846</u>	<u>83,617</u>
Deferred Outflows of Resources					
Pension	101,979	102,584	3,573	208,136	0
OPEB	28,218	28,218	873	57,309	0
<i>Total Deferred Outflows of Resources</i>	<u>130,197</u>	<u>130,802</u>	<u>4,446</u>	<u>265,445</u>	<u>0</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	31,053	83,971	424	115,448	0
Accrued Wages	16,255	19,326	542	36,123	0
Contracts Payable	0	127,652	0	127,652	0
Retainage Payable	0	40,000	0	40,000	0
Intergovernmental Payable	6,202	6,339	215	12,756	0
Accrued Interest Payable	7,743	4,935	0	12,678	0
Claims Payable	0	0	0	0	31,033
Compensated Absences Payable	26,009	49,109	0	75,118	0
Capital Leases Payable	0	69,347	0	69,347	0
OPWC Loans Payable	52,413	32,000	0	84,413	0
OWDA Loans Payable	851,863	1,839,367	0	2,691,230	0
General Obligation Bonds Payable	247,364	0	0	247,364	0
<i>Total Current Liabilities</i>	<u>1,238,902</u>	<u>2,272,046</u>	<u>1,181</u>	<u>3,512,129</u>	<u>31,033</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	67,742	165,220	0	232,962	0
Capital Leases Payable - Net of Current Portion	0	144,890	0	144,890	0
OPWC Loans Payable - Net of Current Portion	722,192	528,000	0	1,250,192	0
OWDA Loans Payable - Net of Current Portion	8,367,245	18,003,126	0	26,370,371	0
General Obligation Bonds Payable - Net of Current Portion	127,532	0	0	127,532	0
Advances from Other Funds	0	100,000	0	100,000	0
Net Pension Liability	350,593	350,593	13,484	714,670	0
Net OPEB Liability	236,172	236,172	9,084	481,428	0
<i>Total Long-Term Liabilities</i>	<u>9,871,476</u>	<u>19,528,001</u>	<u>22,568</u>	<u>29,422,045</u>	<u>0</u>
<i>Total Liabilities</i>	<u>11,110,378</u>	<u>21,800,047</u>	<u>23,749</u>	<u>32,934,174</u>	<u>31,033</u>
Deferred Inflows of Resources					
Pension	82,178	82,178	4,069	168,425	0
OPEB	17,593	17,593	677	35,863	0
<i>Total Deferred Inflows of Resources</i>	<u>99,771</u>	<u>99,771</u>	<u>4,746</u>	<u>204,288</u>	<u>0</u>
Net Position					
Net Investment in Capital Assets	8,751,187	6,401,033	10,450	15,162,670	0
Unrestricted	(318,968)	1,938,141	78,986	1,698,159	52,584
<i>Total Net Position</i>	<u>\$ 8,432,219</u>	<u>\$ 8,339,174</u>	<u>\$ 89,436</u>	<u>16,860,829</u>	<u>\$ 52,584</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

(2,610)

\$ 16,858,219

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, 2018

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Operating Revenues					
Charges for Services	\$ 2,287,396	\$ 2,975,749	\$ 477,561	\$ 5,740,706	\$ 562,516
Tap-In Fees	2,764	200	0	2,964	0
Other	6,668	15,906	0	22,574	0
<i>Total Operating Revenues</i>	<u>2,296,828</u>	<u>2,991,855</u>	<u>477,561</u>	<u>5,766,244</u>	<u>562,516</u>
Operating Expenses					
Personal Services	530,609	542,091	24,088	1,096,788	0
Contractual Services	314,171	685,467	341,052	1,340,690	214,809
Materials and Supplies	185,902	110,052	4,909	300,863	0
Claims	0	0	0	0	331,915
Depreciation	563,905	834,039	7,461	1,405,405	0
<i>Total Operating Expenses</i>	<u>1,594,587</u>	<u>2,171,649</u>	<u>377,510</u>	<u>4,143,746</u>	<u>546,724</u>
<i>Operating Income (Loss)</i>	<u>702,241</u>	<u>820,206</u>	<u>100,051</u>	<u>1,622,498</u>	<u>15,792</u>
Non-Operating Revenues (Expense)					
Interest	0	0	0	0	168
Intergovernmental	10,000	0	0	10,000	0
Loss on Sale of Capital Assets	(1,986)	(12,625)	0	(14,611)	0
Interest and Fiscal Charges	(225,506)	(6,729)	0	(232,235)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>(217,492)</u>	<u>(19,354)</u>	<u>0</u>	<u>(236,846)</u>	<u>168</u>
<i>Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers</i>	484,749	800,852	100,051	1,385,652	15,960
Transfers In	0	980,000	0	980,000	0
<i>Change in Net Position</i>	484,749	1,780,852	100,051	2,365,652	15,960
<i>Net Position Beginning of Year (Restated, see Note 2)</i>	<u>7,947,470</u>	<u>6,558,322</u>	<u>(10,615)</u>		<u>36,624</u>
<i>Net Position End of Year</i>	<u>\$ 8,432,219</u>	<u>\$ 8,339,174</u>	<u>\$ 89,436</u>		<u>\$ 52,584</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>25,645</u>	
Changes in Net Position of Business-Type Activities				<u>\$ 2,391,297</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, 2018

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 2,289,324	\$ 2,961,182	\$ 474,175	\$ 5,724,681	\$ 562,516
Cash Received from Other Operating Receipts	6,668	15,906	0	22,574	0
Cash Payments to Suppliers for Goods and Services	(185,679)	(100,689)	(4,902)	(291,270)	0
Cash Payments to Employees for Services and Benefits	(456,384)	(468,028)	(22,515)	(946,927)	0
Cash Payments for Contractual Services	(299,879)	(666,126)	(453,337)	(1,419,342)	(214,809)
Cash Payments for Claims	0	0	0	0	(305,740)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,354,050</u>	<u>1,742,245</u>	<u>(6,579)</u>	<u>3,089,716</u>	<u>41,967</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	10,000	0	0	10,000	0
Cash Flows from Capital and Related Financing Activities					
Proceeds of OWDA Loans	0	2,691,517	0	2,691,517	0
Acquisition of Capital Assets	(26,620)	(3,019,319)	0	(3,045,939)	0
Proceeds from Sale of Capital Assets	620	311	0	931	0
Principal Payments on Debt	(1,124,761)	(1,846,650)	0	(2,971,411)	0
Interest Payments on Debt	(231,966)	(57,457)	0	(289,423)	0
Transfers In	0	980,000	0	980,000	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,382,727)</u>	<u>(1,251,598)</u>	<u>0</u>	<u>(2,634,325)</u>	<u>0</u>
Cash Flows from Investing Activities					
Interest	0	0	0	0	168
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(18,677)	490,647	(6,579)	465,391	42,135
<i>Cash and Cash Equivalents Beginning of Year - Restated</i>	786,515	2,043,922	56,544	2,886,981	41,482
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 767,838</u>	<u>\$ 2,534,569</u>	<u>\$ 49,965</u>	<u>\$ 3,352,372</u>	<u>\$ 83,617</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ 702,241	\$ 820,206	\$ 100,051	\$ 1,622,498	\$ 15,792
Adjustments:					
Depreciation	563,905	834,039	7,461	1,405,405	0
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	(836)	(14,767)	(3,386)	(18,989)	0
Prepaid Items	766	(1,740)	0	(974)	0
Deferred Outflows - Pension/OPEB	55,902	56,458	2,968	115,328	0
Increase (Decrease) in Liabilities and Deferred Inflows:					
Accounts Payable	13,800	30,444	(112,278)	(68,034)	0
Accrued Wages	4,621	7,884	63	12,568	0
Claims Payable	0	0	0	0	26,175
Compensated Absences Payable	1,692	(2,444)	0	(752)	0
Intergovernmental Payable	1,272	1,478	6	2,756	0
Deferred Inflows - Pension/OPEB	96,977	96,977	2,890	196,844	0
Net Pension Liability	(118,814)	(118,814)	(5,292)	(242,920)	0
Net OPEB Liability	32,524	32,524	938	65,986	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,354,050</u>	<u>\$ 1,742,245</u>	<u>\$ (6,579)</u>	<u>\$ 3,089,716</u>	<u>\$ 41,967</u>

Noncash Capital Financing Activities:

The City purchased \$167,652 and \$829,731 of capital assets on account for the sewer fund in 2018 and 2017, respectively.

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 1: REPORTING ENTITY

The City of Delphos, Ohio (the “City”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City is directed by a seven-member Council, of which three seats are elected at-large and four by City ward for four year terms. The Council President votes to break a tie. The Mayor is elected to a four-year term.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and 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, except for fiduciary funds. The activity of the internal service fund is also 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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. Program revenues include charges paid by the recipient 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 revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity 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 proprietary 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.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund The general 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.

Street Maintenance Fund The street maintenance special revenue fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Income Tax Fund Per City Ordinance, this fund receives 29% of the City's income tax levy. Administrative costs of the income tax department are paid from this fund, and any residual funds are transferred to the sewer fund for sewer system improvements.

Park Fund Per City Ordinance, this fund receives 14% of the City's income tax levy. This represents a 0.25 % voter approved levy that was originally passed in 2014, then renewed for an additional three years in 2017. Administrative and maintenance costs of the park fund are paid from this fund.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds.

Water Fund The water fund accounts for the provision of water service to the residents and commercial users located within and outside of the City.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within and outside of the City.

Sanitation Fund The sanitation fund accounts for sanitation service to its residential users located within and outside of the City.

Internal Service Fund The internal service fund accounts for the financing of service provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City uses an internal service fund to account for the operation of the City's self-insurance program for employee medical benefits, as well as the City's contribution to the employee's HRA accounts.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using 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 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 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 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 sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the 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 also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions 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 fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see 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 the modified accrual basis, revenue from 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, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements 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 represent 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. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

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 City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 9 and 10).

Expenses/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 governmental funds.

E. Pooled Cash and Investments

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 with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During fiscal year 2018, the City's investments were limited to a money market deposit account. Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest receipt credited to the general fund during 2018 amounted to \$22,077 which includes \$15,172 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000 for all capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. The City’s infrastructure consists of water and sewer lines. Depreciation is computed using the straight-line method over the following useful lives:

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

H. Interfund Balances

On the fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “Advances to/from Other Funds”.

I. 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, 2018. 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 “matured 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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

J. 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 on the proprietary fund financial statements. 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, 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

K. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

L. 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 borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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. As of year-end, no net position was restricted for enabling legislation.

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

M. 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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. City Council has by resolution authorized the City Auditor to assign fund balance. 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.

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 water, sewer, sanitation and insurance funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

O. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

P. Extraordinary and Special Items

Extraordinary items are transactions or 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 Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

Q. Estimates

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

R. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director of Finance. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, of grants or outside contributions of resources restricted to capital acquisition and construction.

T. Implementation of New Accounting Principles

For the fiscal year ended December 31, 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

U. Restatement of Net Position

In addition to the implementation of GASB Statement No. 75, the City also restated beginning net position for the detection of an error in the calculation of accounts receivable for utility customers. Beginning July 1, 2017 the City converted to a self-insured medical plan. The information necessary to calculate the City's December 31, 2017 plan balance was not available until 2018. Beginning net position has been adjusted as follows:

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017	\$ 4,381,229	\$ 15,329,078
Adjustments:		
Net OPEB Liability	(2,321,499)	(415,442)
Deferred Outflow-Payments		
Subsequent to Measurement Date	10,710	5,808
Utilities Receivable	0	(424,267)
Internal Service - Cash and Cash Equivalents	(39,563)	(28,255)
Restated Net Position, December 31, 2017	\$ 2,030,877	\$ 14,466,922

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	
Net Position, December 31, 2017	\$ 8,332,269	\$ 6,947,143	\$ 49,666	\$ 15,329,078	\$ 104,442
Adjustments:					
Net OPEB Liability	(203,648)	(203,648)	(8,146)	(415,442)	0
Deferred Outflow-Payments					
Subsequent to Measurement Date	2,847	2,847	114	5,808	0
Utilities Receivable	(183,998)	(188,020)	(52,249)	(424,267)	
Internal Service - Cash and Cash Equivalents	0	0	0	0	(67,818)
Restated Net Position, December 31, 2017	\$ 7,947,470	\$ 6,558,322	\$ (10,615)	\$ 14,495,177	\$ 36,624

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources related to GASB 75 as the information needed to generate these restatements was not available.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 3: 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 certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

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 an assigned, committed or restricted 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 major special revenue funds.

Net Change in Fund Balance

	General	Street Maintenance	Income Tax	Park
GAAP Basis	\$ 559,898	\$ (92,373)	\$ (64,549)	\$ (84,167)
Net Adjustment for Revenue Accruals	55,660	(2,441)	18,432	8,898
Net Adjustment for Expenditure Accruals	(27,666)	6,969	(31,909)	958
Funds Budgeted Elsewhere *	(124)	0	0	0
Adjustment for Encumbrances	(23,768)	(3,000)	(15)	(1,522)
Budget Basis	\$ 564,000	\$ (90,845)	\$ (78,041)	\$ (75,833)

* 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 unclaimed funds.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may 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 guarantee 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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).

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

7. Certain bankers acceptances and commercial paper notes for a period not to exceed two hundred and seventy days from the purchase date in any amount not to exceed 40% 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 and the use of leverage and short selling is also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At December 31, 2018 the City had \$227 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Equivalents."

Deposits - At December 31, 2018, \$6,216,577 of the City's bank balance of \$6,606,038 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Funds Held by Fiscal Agent

The City participates in the Jefferson Health Plan for employee benefits. The City has \$20,441 representing internal service fund cash and cash equivalents with fiscal agent. All benefit deposits are made to the Consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the Consortium.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes were levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018 and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$6.75 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

	<u>Allen County</u>	<u>Van Wert County</u>
Real Property	\$ 68,583,770	\$ 35,868,200
Public Utilities - Real	1,830	1,340
Public Utilities - Personal	2,932,870	1,430,830
Total Assessed Value	\$ 71,518,470	\$ 37,300,370

The County Treasurer collects property taxes on behalf of all taxing districts within Allen and Van Wert Counties, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes levied for the next year. 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 1.75% on all income earned within the City, as well as incomes of City residents earned outside the City. Residents are granted a 0.75% 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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The City allocates income tax receipts to the general, income tax and park funds. The income tax is to be divided 57% to the general fund, 29% to the income tax fund and 14% to the park fund with any expenditures 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 amount allocated to the park fund represents a 0.25% voter approved levy that was originally passed in 2014, then renewed for an additional three years in 2017.

NOTE 6: RECEIVABLES

Receivables at December 31, 2018 consisted of taxes, accounts (billings for user charged services), long-term advance and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 7: INTERFUND ACTIVITY

A. Interfund Transfers

Following is a summary of transfers in and out for all funds for 2018:

Transfer To	Transfer From			Total
	General	Income Tax	Nonmajor Governmental	
Nonmajor Governmental	335,000	0	255,924	590,924
Street Maintenance	70,000	0	0	70,000
Sewer Fund	0	980,000	0	980,000
<i>Total</i>	<u>\$ 405,000</u>	<u>\$ 980,000</u>	<u>\$ 255,924</u>	<u>\$ 1,640,924</u>

The transfers from the general fund to the street maintenance and various nonmajor governmental funds were to provide additional resources for current operations. The transfers from the income tax fund to the sewer fund were in accordance with the City's income tax ordinance. The transfer from nonmajor governmental funds to nonmajor governmental funds represented the local match for an ODOT grant.

B. Advances to and Advances from Other Funds

During a prior year the general fund advanced \$100,000 to the sewer fund for engineering fees for the wastewater treatment plant improvement project. This will be repaid to the general fund once reimbursement is received from OWDA.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 8: CAPITAL ASSETS

Governmental activities capital asset activity for the fiscal year ended December 31, 2018 was as follows:

Governmental Activities	Beginning Balance 1/1/2018	Increases	Decreases	Ending Balance 12/31/2018
Capital assets, not being depreciated:				
Land	\$ 476,660	\$ 0	\$ 0	\$ 476,660
Construction in progress	102,913	1,045,341	(102,913)	1,045,341
Total capital assets, not being depreciated:	<u>579,573</u>	<u>1,045,341</u>	<u>(102,913)</u>	<u>1,522,001</u>
Capital assets, being depreciated:				
Buildings	1,461,581	13,960	0	1,475,541
Land improvements	2,552,272	0	0	2,552,272
Vehicles	1,787,974	253,696	(169,216)	1,872,454
Equipment	1,477,096	184,558	(21,744)	1,639,910
Total capital assets, being depreciated:	<u>7,278,923</u>	<u>452,214</u>	<u>(190,960)</u>	<u>7,540,177</u>
Less: accumulated depreciation				
Buildings	(1,036,885)	(48,052)	0	(1,084,937)
Land improvements	(1,190,888)	(103,253)	0	(1,294,141)
Vehicles	(1,627,447)	(65,716)	169,216	(1,523,947)
Equipment	(866,490)	(81,144)	14,408	(933,226)
Total accumulated depreciation	<u>(4,721,710)</u>	<u>(298,165)</u>	<u>183,624</u>	<u>(4,836,251)</u>
Total capital assets being depreciated, net	<u>2,557,213</u>	<u>154,049</u>	<u>(7,336)</u>	<u>2,703,926</u>
Governmental activities capital assets, net	<u>\$ 3,136,786</u>	<u>\$ 1,199,390</u>	<u>\$ (110,249)</u>	<u>\$ 4,225,927</u>

Depreciation expense was charged to the function/program of the governmental functions as follows:

<u>Governmental Activities:</u>	
General government	\$ 5,774
Security of persons and property	123,768
Leisure time services	150,603
Transportation	18,020
Total Depreciation Expense	<u>\$ 298,165</u>

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The business-type activities capital asset activity for the fiscal year ended December 31, 2018 was as follows:

Business-Type Activities	Beginning Balance 1/1/2018	Increases	Decreases	Ending Balance 12/31/2018
Capital assets, not being depreciated:				
Land	\$ 889,207	\$ 0	\$ 0	\$ 889,207
Construction in progress	2,912,458	2,275,812	(1,993,528) *	3,194,742
Total capital assets, not being depreciated:	<u>3,801,665</u>	<u>2,275,812</u>	<u>(1,993,528)</u>	<u>4,083,949</u>
Capital assets, being depreciated:				
Buildings	36,334,981	5,400	0	36,340,381
Land improvements	4,462,442	0	0	4,462,442
Vehicles	536,313	24,033	(71,714)	488,632
Equipment	17,255,226	411,238	0	17,666,464
Infrastructure	14,565,044	1,645,363	0	16,210,407
Total capital assets, being depreciated:	<u>73,154,006</u>	<u>2,086,034</u>	<u>(71,714)</u>	<u>75,168,326</u>
Less: accumulated depreciation				
Buildings	(9,259,324)	(709,524)	0	(9,968,848)
Land improvements	(1,144,050)	(102,082)	0	(1,246,132)
Vehicles	(513,967)	(12,540)	71,714	(454,793)
Equipment	(15,007,337)	(276,645)	0	(15,283,982)
Infrastructure	(6,356,971)	(304,614)	0	(6,661,585)
Total accumulated depreciation	<u>(32,281,649)</u>	<u>(1,405,405)</u>	<u>71,714</u>	<u>(33,615,340)</u>
Total capital assets being depreciated, net	<u>40,872,357</u>	<u>680,629</u>	<u>0</u>	<u>41,552,986</u>
Business-type activities capital assets, net	<u>\$ 44,674,022</u>	<u>\$ 2,956,441</u>	<u>\$ (1,993,528)</u>	<u>\$ 45,636,935</u>

* Within construction in progress decreases, \$14,611 was deemed to not be a City asset.

NOTE 9: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at three percent.

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2018 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$160,267 for 2018. Of this amount, \$19,234 is reported as an intergovernmental payable.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the Consumer Price Index (CPI-W) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$221,133 for 2018. Of this amount, \$25,749 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.008595%	0.046461%	
Prior Measurement Period	0.008268%	0.040498%	
Change in Proportion	<u>0.000327%</u>	<u>0.005963%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 1,348,433	\$ 2,851,509	\$ 4,199,942
Pension Expense	\$ 316,643	\$ 426,522	\$ 743,165

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 1,378	\$ 43,274	\$ 44,652
Changes of Assumptions	161,145	124,256	285,401
Changes in Proportionate Share	45,620	514,993	560,613
City Contributions Subsequent to the Measurement Date	160,267	221,133	381,400
Total Deferred Outflows of Resources	<u>\$ 368,410</u>	<u>\$ 903,656</u>	<u>\$ 1,272,066</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 26,574	\$ 5,159	\$ 31,733
Net Difference between Projected and Actual Earnings on Pension Plan Investments	289,494	98,642	388,136
Changes in Proportionate Share	2,141	84,684	86,825
Total Deferred Inflows of Resources	<u>\$ 318,209</u>	<u>\$ 188,485</u>	<u>\$ 506,694</u>

In the year ending December 31, 2019, \$381,400 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	\$ 146,837	\$ 155,586	\$ 302,423
2020	(10,498)	129,655	119,157
2021	(127,449)	27,484	(99,965)
2022	(118,956)	68,346	(50,610)
2023	0	92,186	92,186
Thereafter	0	20,781	20,781
	<u>\$ (110,066)</u>	<u>\$ 494,038</u>	<u>\$ 383,972</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Valuation Date	December 31, 2017
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described table.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 2,394,473	\$ 1,348,433	\$ 476,350

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Actuarial Cost Method	Entry Age (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Increases	3.25 percent (inflation plus productivity increase)
Inflation Assumptions	2.75 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Domestic Equity	16.00 %	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income*	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
U.S. Inflation Linked Bonds*	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	120.00 %		

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 3,952,956	\$ 2,851,509	\$ 1,953,200

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 10: DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary 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 member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$0 for 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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 Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 health care 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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also 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 contractually required contribution to OP&F was \$5,334 for 2018. Of this amount, \$618 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	OPERS	OPF	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.008365%	0.046461%	
Prior Measurement Period	0.008065%	0.040498%	
Change in Proportion	<u>0.000300%</u>	<u>0.005963%</u>	
Proportionate Share of the Net			
OPEB Liability	\$ 908,354	\$ 2,632,404	\$ 3,540,758
OPEB Expense	\$ 85,484	\$ 241,974	\$ 327,458

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and			
Actual Experience	\$ 708	\$ 0	\$ 708
Changes of Assumptions	66,138	256,868	323,006
Changes in Proportionate Share	21,881	246,947	268,828
City Contributions Subsequent			
to the Measurement Date	<u>0</u>	<u>5,334</u>	<u>5,334</u>
Total Deferred Outflows of Resources	<u>\$ 88,727</u>	<u>\$ 509,149</u>	<u>\$ 597,876</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 0	\$ 13,277	\$ 13,277
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	67,666	17,328	84,994
Changes in Proportionate Share	<u>1,394</u>	<u>0</u>	<u>1,394</u>
Total Deferred Inflows of Resources	<u>\$ 69,060</u>	<u>\$ 30,605</u>	<u>\$ 99,665</u>

In 2019, \$5,334 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	\$ 24,836	\$ 67,384	\$ 92,220
2020	25,797	67,384	93,181
2021	(14,051)	67,384	53,333
2022	(16,915)	67,384	50,469
2023	0	71,716	71,716
Thereafter	<u>0</u>	<u>131,958</u>	<u>131,958</u>
	<u>\$ 19,667</u>	<u>\$ 473,210</u>	<u>\$ 492,877</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	<u>1% Decrease (2.85%)</u>	<u>Current Discount Rate (3.85%)</u>	<u>1% Increase (4.85%)</u>
City's Proportionate Share of the Net OPEB Liability	\$ 1,206,788	\$ 908,354	\$ 666,925

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 869,102	\$ 908,354	\$ 948,902

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increased based on the lesser of the increase in CPI and 3.00 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	16.00 %	5.21 %
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.

* Levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	\$ 3,290,551	\$ 2,632,404	\$ 2,126,009

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 2,044,907	\$ 2,632,404	\$ 3,424,177

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

NOTE 11: COMMITMENTS

A. Contractual Commitments

The City had the following contractual commitment outstanding at December 31, 2018.

	Contractual Commitment	Expended	Balance 12/31/2018
WWTP Improvements	\$ 3,276,667	\$ 3,124,420	\$ 152,247

Contractual commitments identified above may or may not be included in the outstanding encumbrance commitments disclosed in this note. Reasons for this may include timing of when contracts are encumbered and contracts paid from enterprise funds, which are not required to disclose encumbrance commitments.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

B. Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds are as follows:

Fund	Amount
General	\$ 5,623
Street Maintenance	211
Totals	\$ 5,834

NOTE 12: 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 1,040 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 either paid to employees on the paycheck for the period in which it was worked or accumulated as comp time.

Upon retirement, an employee can be paid up to 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.

NOTE 13: LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the City during 2018 were as follows:

	Restated Outstanding 1/1/2018	Additions	Deletions	Outstanding 12/31/2018	Amounts Due In One Year
Governmental Activities:					
Net Pension Liability	\$ 3,485,127	\$ 286,418	\$ (286,273)	\$ 3,485,272	\$ 0
Net OPEB Liability	2,321,499	737,831	0	3,059,330	0
Compensated Absences	481,900	56,586	(133,851)	404,635	89,022
<i>Total Governmental Activities</i> <i>Long-Term Liabilities</i>	\$ 6,288,526	\$ 1,080,835	\$ (420,124)	\$ 6,949,237	\$ 89,022

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

	Restated Outstanding 1/1/2018	Additions	Deletions	Outstanding 12/31/2018	Amounts Due In One Year
Business-Type Activities:					
General Obligation Refunding Bonds:					
Water Plant Improvement, 3.25%-4.875%	\$ 612,654	\$ 0	\$ (237,758)	\$ 374,896	\$ 247,364
OWDA loans:					
2005 OWDA loan, .95%	17,445,837	0	(1,671,125)	15,774,712	1,687,038
2006 OWDA loan, 2.00%	9,004,960	0	(778,856)	8,226,104	794,511
2007 OWDA loan, 4.32%	648,905	0	(20,975)	627,930	21,891
2007 OWDA loan, 2.00%	351,127	0	(32,052)	319,075	32,697
2013 OWDA loan, 2.00%	48,709	0	(2,710)	45,999	2,764
2017 OWDA loan, 0%	1,452,429	2,691,517	(76,165)	4,067,781	152,329
<i>Total OWDA Loans</i>	<u>28,951,967</u>	<u>2,691,517</u>	<u>(2,581,883)</u>	<u>29,061,601</u>	<u>2,691,230</u>
OPWC Loans:					
1999 OPWC loan, 0%	15,784	0	(7,890)	7,894	7,893
2007 OPWC loan, 0%	96,783	0	(8,798)	87,985	8,798
2015 OPWC loan, 0%	592,000	0	(32,000)	560,000	32,000
2016 OPWC loan, 0%	714,448	0	(35,722)	678,726	35,722
<i>Total OPWC Loans</i>	<u>1,419,015</u>	<u>0</u>	<u>(84,410)</u>	<u>1,334,605</u>	<u>84,413</u>
Net Pension Liability	957,590	0	(242,920)	714,670	0
Net OPEB Liability	415,442	65,986	0	481,428	0
Lease Obligation	281,597	0	(67,360)	214,237	69,347
Compensated Absences	308,832	102,126	(102,878)	308,080	75,118
<i>Other Long-term Obligations</i>	<u>1,963,461</u>	<u>168,112</u>	<u>(413,158)</u>	<u>1,718,415</u>	<u>144,465</u>
<i>Total Business-Type Activities, Long-Term Liabilities</i>	<u>\$ 32,947,097</u>	<u>\$ 2,859,629</u>	<u>\$ (3,317,209)</u>	<u>\$ 32,489,517</u>	<u>\$ 3,167,472</u>

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 3.25-4.875 percent.

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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 2037.

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. The City's water system revenues will be used for the principal repayment. This loan matures in the year 2033.

The 2017 Ohio Water Development Authority (OWDA) loan is for improvements to the wastewater treatment plant. Construction was started in 2017. The loan was approved for \$4,569,870, of which \$4,143,946 had been drawn down as of December 31, 2018. The amount in the following amortization table is based on the loan approval amount of \$4,569,870 less the principal payment of \$76,165 paid in 2018. The City's sewer system revenues will be used for the principal repayment.

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 revenues 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 revenues will be used for the principal repayment.

The 2015 Ohio Public Works Commission (OPWC) loan is for improvements to the wastewater treatment plant. Construction was started in 2015. The full amount of the loan is \$640,000 and matures in the year 2036. The City sewer system revenues will be used for the principal repayment.

The 2016 Ohio Public Works Commission (OPWC) loan is for water meter replacement. The full amount of the loan is \$811,500 and matures in the year 2036. The City water system revenues will be used for the principal repayment.

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.

The City has pledged future water and sewer revenues, net of specified operating expenses to repay \$30,396,206 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 receipts, on the loans are expected to be similar over the term of the loans as in the current year, which were 98.17 percent. The total principal and interest remaining to be paid on the loans is \$31,580,702. Principal and interest paid for the current year and total net receipts were \$2,876,720 and \$2,930,391, respectively.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 9 and 10.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

The annual requirements to amortize all bonded debt and loans as of December 31, 2018 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2019	\$ 247,364	\$ 12,562	\$ 2,691,230	\$ 194,587	\$ 84,413	\$ 3,023,007	\$ 207,149
2020	127,532	2,569	2,724,933	176,950	76,521	2,928,986	179,519
2021	0	0	2,759,165	158,933	76,520	2,835,685	158,933
2022	0	0	2,793,938	140,531	76,521	2,870,459	140,531
2023	0	0	2,829,262	121,737	76,520	2,905,782	121,737
2024-2028	0	0	12,342,272	312,501	382,602	12,724,874	312,501
2029-2033	0	0	960,501	61,579	338,614	1,299,115	61,579
2034-2038	0	0	939,100	17,678	222,894	1,161,994	17,678
2039-2043	0	0	761,645	0	0	761,645	0
2044-2048	0	0	685,479	0	0	685,479	0
Undrawn	0	0	(425,924)	0	0	(425,924)	0
Totals	\$ 374,896	\$ 15,131	\$ 29,061,601	\$ 1,184,496	\$ 1,334,605	\$ 30,771,102	\$ 1,199,627

NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE

In 2017, the City entered into a five year lease for the acquisition of a Vactor sewer cleaner. The lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. The lease payments will be made from the sewer fund. Principal payments in the amount of \$67,360 were made during 2018.

The asset acquired by the lease has been capitalized in the amount of \$357,264, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$41,681 as of December 31, 2018, leaving the current book value of \$315,583. A corresponding liability is recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the minimum lease payments as of December 31, 2018:

Year ending December 31,	2019	Business-Type Activities
	\$	75,667
		75,667
		75,667
		<u>227,001</u>
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(12,764)</u>
Present value of net minimum lease payments	\$	<u>214,237</u>

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15: RISK MANAGEMENT

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

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

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. The City contributes an amount determined by Council for each full-time employee to this fund. This amount pays for the medical out-of-pocket disbursements for the employee up to the contribution of the City. For 2018, employees had a choice of a health reimbursement account or a health savings account. The claims liability at December 31, 2018, was estimated to be \$4,496.

The City is self-insured for its medical insurance program. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. The City is a member of the Jefferson Health Plan, a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$35,000. Claims above a \$35,000 deductible are internally pooled. Claims above \$500,000 are covered by stop loss. The claims liability at December 31, 2018, was estimated by the third party administrator to be \$26,537. Under generally accepted accounting principles, the City has recorded a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability for 2018 and 2017 are as follows:

Liability Year	Beginning of Year Liability	Current Year Claims	Claim Payments	End of Year Liability
2018	\$ 4,858	\$ 331,915	\$ 305,740	\$ 31,033
2017	\$ 4,858	\$ 89,356	\$ 89,356	\$ 4,858

NOTE 16: CONTINGENCIES

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

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

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 17: FUND BALANCE

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

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

	General Fund	Street Maintenance	Income Tax	Park Fund	Nonmajor Governmental	Total
Nonspendable for:						
Advances	\$ 100,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,000
Prepays	17,008	4,187	0	3,236	0	24,431
Unclaimed Monies	3,191	0	0	0	0	3,191
Total Nonspendable	<u>120,199</u>	<u>4,187</u>	<u>0</u>	<u>3,236</u>	<u>0</u>	<u>127,622</u>
Restricted for:						
Capital Outlay	0	0	0	0	190,026	190,026
Street Maintenance	0	96,945	0	0	16,230	113,175
Public Safety	0	0	0	0	334,633	334,633
Economic Development	0	0	0	0	3,639	3,639
Parks and Recreation	0	0	0	102,521	0	102,521
Total Restricted	<u>0</u>	<u>96,945</u>	<u>0</u>	<u>102,521</u>	<u>544,528</u>	<u>743,994</u>
Committed for:						
Income Tax	0	0	190,309	0	0	190,309
Guaranteed Street Bond	0	0	0	0	18,500	18,500
Total Committed	<u>0</u>	<u>0</u>	<u>190,309</u>	<u>0</u>	<u>18,500</u>	<u>208,809</u>
Assigned:						
Encumbrances						
Security of Persons and Property	3,889	0	0	0	0	3,889
Transportation	1,713	0	0	0	0	1,713
General Government	21	0	0	0	0	21
Subsequent Year Appropriations	2,190,115	0	0	0	0	2,190,115
Total Assigned	<u>2,195,738</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,195,738</u>
Unassigned	198,725	0	0	0	0	198,725
Total Fund Balance	<u>\$ 2,514,662</u>	<u>\$ 101,132</u>	<u>\$ 190,309</u>	<u>\$ 105,757</u>	<u>\$ 563,028</u>	<u>\$ 3,474,888</u>

This page intentionally left blank

City of Delphos
Allen County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Five Years (1)

	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)					
City's Proportion of the Net Pension Liability	0.008595%	0.008268%	0.008064%	0.008028%	0.008028%
City's Proportionate Share of the Net Pension Liability	\$ 1,348,433	\$ 1,877,626	\$ 1,396,786	\$ 968,267	\$ 946,397
City's Covered Payroll	\$ 1,138,914	\$ 1,111,750	\$ 1,003,625	\$ 1,032,858	\$ 1,427,915
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.40%	168.89%	139.17%	93.75%	66.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)					
City's Proportion of the Net Pension Liability	0.046461%	0.040498%	0.034220%	0.037535%	0.037535%
City's Proportionate Share of the Net Pension Liability	\$ 2,851,509	\$ 2,565,091	\$ 2,201,397	\$ 1,944,464	\$ 1,828,067
City's Covered Payroll	\$ 1,025,748	\$ 881,807	\$ 714,809	\$ 763,545	\$ 974,959
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	277.99%	290.89%	307.97%	254.66%	187.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

City of Delphos
Allen County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 160,267	\$ 148,059	\$ 133,607	\$ 120,435
Contributions in Relation to the Contractually Required Contribution	<u>(160,267)</u>	<u>(148,059)</u>	<u>(133,607)</u>	<u>(120,435)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,144,764	\$ 1,138,914	\$ 1,111,750	\$ 1,003,625
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.02%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 221,133	\$ 214,753	\$ 184,251	\$ 146,805
Contributions in Relation to the Contractually Required Contribution	<u>(221,133)</u>	<u>(214,753)</u>	<u>(184,251)</u>	<u>(146,805)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,066,890	\$ 1,025,748	\$ 881,807	\$ 714,809
Contributions as a Percentage of Covered Payroll	20.73%	20.94%	20.89%	20.54%

(n/a) Information prior to 2013 is not available.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 123,943	\$ 185,629	n/a	n/a	n/a	n/a
<u>(123,943)</u>	<u>(185,629)</u>	n/a	n/a	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a	n/a
\$ 1,032,858	\$ 1,427,915	n/a	n/a	n/a	n/a
12.00%	13.00%	n/a	n/a	n/a	n/a
\$ 156,819	\$ 171,153	\$ 142,533	\$ 173,813	\$ 145,806	\$ 151,478
<u>(156,819)</u>	<u>(171,153)</u>	<u>(142,533)</u>	<u>(173,813)</u>	<u>(145,806)</u>	<u>(151,478)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 763,545	\$ 974,959	\$ 977,208	\$ 1,191,664	\$ 999,648	\$ 1,038,535
20.54%	17.55%	14.59%	14.59%	14.59%	14.59%

See accompanying notes to the required supplementary information

This page intentionally left blank

City of Delphos
Allen County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Last Two Years (1)

	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>		
City's Proportion of the Net OPEB Liability	0.008365%	0.008065%
City's Proportionate Share of the Net OPEB Liability	\$ 908,354	\$ 814,592
City's Covered Payroll	\$ 1,138,914	\$ 1,111,750
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	79.76%	73.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%
<i>Ohio Police and Fire Pension Fund (OPF)</i>		
City's Proportion of the Net OPEB Liability	0.046461%	0.040498%
City's Proportionate Share of the Net OPEB Liability	\$ 2,632,404	\$ 1,922,349
City's Covered Payroll	\$ 1,025,748	\$ 881,807
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	256.63%	218.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

City of Delphos
Allen County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 0	\$ 11,389	\$ 22,235	n/a
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(11,389)</u>	<u>(22,235)</u>	n/a
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
City's Covered Payroll (1)	\$ 1,144,764	\$ 1,138,914	\$ 1,111,750	n/a
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	n/a
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 5,334	\$ 5,129	\$ 4,409	\$ 3,574
Contributions in Relation to the Contractually Required Contribution	<u>(5,334)</u>	<u>(5,129)</u>	<u>(4,409)</u>	<u>(3,574)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,066,890	\$ 1,025,748	\$ 881,807	\$ 714,809
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 3,818	\$ 31,657	\$ 65,962	\$ 80,739	\$ 67,221	\$ 70,555
<u>(3,818)</u>	<u>(31,657)</u>	<u>(65,962)</u>	<u>(80,739)</u>	<u>(67,221)</u>	<u>(70,555)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 763,545	\$ 974,959	\$ 977,208	\$ 1,191,664	\$ 999,648	\$ 1,038,535
0.50%	3.25%	6.75%	6.78%	6.72%	6.79%

See accompanying notes to the required supplementary information.

City of Delphos
Allen County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Changes in Assumptions – OP&F

For 2017, the single discount rate changed from 8.25 percent to 8.00 percent.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OPF

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

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

July 31, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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* (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Delphos's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Johnson LLC

CITY OF DELPHOS, OHIO

Schedule of Findings and Responses

For the Year Ended December 31, 2018

2018-001 - Material Prior Period Audit Adjustments

Finding Type. Material Prior Period Audit Adjustments

Criteria. All Ohio governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. As is the case with many smaller and medium-sized entities, the government has historically relied on its GAAP Conversion Consultant to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. Material adjustments to beginning fund balance of the general, water, sewer, and sanitation funds were necessary to account for the classification of utility customer deposits and for an error in the calculation of accounts receivable for utility customers. Accordingly, the government's ability to prepare general purpose external financial statements in accordance with GAAP is based, in part, on its reliance on its GAAP Conversion Consultant, who did not identify these adjustments in the prior year.

Cause. The internal controls over financial reporting performed by the GAAP Conversion Consultant and reviewed by the government were not discovered in the prior year.

Effect. As a result of this condition, the government's accounting records were initially misstated by an amount material to the financial statements of the general water, sewer, and sanitation funds. Further, the government lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its GAAP Conversion Consultant for assistance with this task.

Recommendation. The prior period adjustment was related solely to the classification of utility customer deposits and accounts receivable for utility customers. The related restatement has been reviewed and approved by management, and no further corrective action is required at this time.

View of Responsible Officials. The government has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its GAAP Conversion Consultant (including recording year end entries to convert the government's cash basis books to GAAP), and to carefully review the proposed journal entries, draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.



This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF DELPHOS

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/13/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov