

City of Delphos
Allen County, Ohio

Basic Financial Statements

For the Year Ended
December 31, 2019



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Members of Council
City of Delphos
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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, 2019 through December 31, 2019. 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

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**CITY OF DELPHOS
ALLEN COUNTY, OHIO**

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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, 2019, 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, 2019, 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.

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.



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City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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, 2019. 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 2019 are as follows:

- In total, net position increased \$4,613,078, which represents a 23 percent increase from 2018. Net position of governmental activities increased \$3,060,919. Net position of business-type activities increased \$1,552,159.
- Total capital assets increased \$254,093 in 2019. Capital assets of governmental activities increased \$1,112,341 and capital assets of business-type activities decreased \$858,248.
- Outstanding debt decreased from \$30,985,339 to \$28,241,582.

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 2019 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, 2019

A question typically asked about the City's finances "How did we do financially during 2019?" 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, 2019

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 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2019	Restated 2018	Change	2019	Restated 2018	Change
Assets						
Current and Other Assets	\$ 5,676,692	\$ 5,081,885	\$ 594,807	\$ 3,889,664	\$ 4,060,251	\$ (170,587)
Capital Assets	5,338,268	4,225,927	1,112,341	44,778,687	45,636,935	(858,248)
<i>Total Assets</i>	<u>11,014,960</u>	<u>9,307,812</u>	<u>1,707,148</u>	<u>48,668,351</u>	<u>49,697,186</u>	<u>(1,028,835)</u>
Deferred Outflows of Resources						
Pension & OPEB	2,135,139	1,604,497	530,642	508,227	265,445	242,782
<i>Total Deferred Outflows of Resources</i>	<u>2,135,139</u>	<u>1,604,497</u>	<u>530,642</u>	<u>508,227</u>	<u>265,445</u>	<u>242,782</u>
Liabilities						
Current and Other Liabilities	293,573	231,488	62,085	273,227	410,607	(137,380)
Long-Term Liabilities:						
Due within One Year	108,464	89,022	19,442	3,039,894	3,167,472	(127,578)
Due in More Than One Year:						
Net Pension Liability	4,803,007	3,485,272	1,317,735	1,303,208	714,670	588,538
Net OPEB Liability	895,502	3,059,330	(2,163,828)	603,142	481,428	121,714
Other Amounts	372,642	315,613	57,029	25,527,720	28,125,947	(2,598,227)
<i>Total Liabilities</i>	<u>6,473,188</u>	<u>7,180,725</u>	<u>(707,537)</u>	<u>30,747,191</u>	<u>32,900,124</u>	<u>(2,152,933)</u>
Deferred Inflows of Resources						
Property Taxes	434,277	424,802	9,475	0	0	0
Pension & OPEB	277,004	402,071	(125,067)	19,009	204,288	(185,279)
<i>Total Deferred Inflows of Resources</i>	<u>711,281</u>	<u>826,873</u>	<u>(115,592)</u>	<u>19,009</u>	<u>204,288</u>	<u>(185,279)</u>
Net Position						
Net Investment in Capital Assets	5,259,351	4,211,161	1,048,190	17,162,466	15,162,670	1,999,796
Restricted	1,083,962	916,368	167,594	0	0	0
Unrestricted	(377,683)	(2,222,818)	1,845,135	1,247,912	1,695,549	(447,637)
<i>Total Net Position</i>	<u>\$ 5,965,630</u>	<u>\$ 2,904,711</u>	<u>\$ 3,060,919</u>	<u>\$ 18,410,378</u>	<u>\$ 16,858,219</u>	<u>\$ 1,552,159</u>

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2019 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.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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.

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.

City of Delphos
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Management's Discussion and Analysis
For the Year Ended December 31, 2019

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.

At year end, capital assets represented 84 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 \$22,421,817 at December 31, 2019, with \$5,259,351 in governmental activities and \$17,162,466 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, \$1,083,962 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is \$870,229.

For governmental type activities, the City saw an increase in capital assets and intergovernmental receivable. Capital assets increased in construction in progress and infrastructure for a large paving project and large road expansion project that are both being capitalized. Intergovernmental receivable increased as a result of the City being awarded grant money for the road expansion project.

For business type activities, the City saw an overall decrease in capital assets. Construction in progress decreased as a result of the City completing phase two of the Waste Water Treatment Plant project.

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.

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City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 730,540	\$ 693,478	\$ 37,062	\$ 5,626,826	\$ 5,743,670	\$ (116,844)
Operating Grants	551,358	526,011	25,347	0	10,000	(10,000)
Capital Grants	854,456	571,846	282,610	0	0	0
<i>General Revenues:</i>						
Property and Other Local Taxes	448,676	415,385	33,291	0	0	0
Income Taxes	3,563,455	3,776,855	(213,400)	0	0	0
Grants and Entitlements	211,159	291,729	(80,570)	0	0	0
Investment Earnings	91,679	22,245	69,434	0	0	0
Other	19,364	17,242	2,122	14,442	22,574	(8,132)
<i>Total Revenues</i>	<u>6,470,687</u>	<u>6,314,791</u>	<u>155,896</u>	<u>5,641,268</u>	<u>5,776,244</u>	<u>(134,976)</u>
Program Expenses						
General Government	330,761	349,193	(18,432)	0	0	0
Security of Persons and Property	583,388	2,601,301	(2,017,913)	0	0	0
Public Health	45,778	46,087	(309)	0	0	0
Leisure Time Services	693,148	689,685	3,463	0	0	0
Transportation	806,693	708,741	97,952	0	0	0
<i>Enterprise Operations:</i>						
Water	0	0	0	2,065,797	1,810,997	254,800
Sewer	0	0	0	2,443,225	2,177,460	265,765
Sanitation	0	0	0	530,087	376,490	153,597
<i>Total Program Expenses</i>	<u>2,459,768</u>	<u>4,395,007</u>	<u>(1,935,239)</u>	<u>5,039,109</u>	<u>4,364,947</u>	<u>674,162</u>
<i>Increase (Decrease) in Net Position</i>	4,010,919	1,919,784	2,091,135	602,159	1,411,297	(809,138)
Transfers	(950,000)	(980,000)	30,000	950,000	980,000	(30,000)
<i>Change in Net Position</i>	3,060,919	939,784	2,121,135	1,552,159	2,391,297	(839,138)
<i>Net Position Beginning of Year</i>	2,904,711	2,030,877	873,834	16,858,219	14,466,922	2,391,297
<i>Restatement - See Note 2</i>	0	(65,950)	65,950	0	0	0
<i>Net Position End of Year</i>	<u>\$ 5,965,630</u>	<u>\$ 2,904,711</u>	<u>\$ 3,060,919</u>	<u>\$ 18,410,378</u>	<u>\$ 16,858,219</u>	<u>\$ 1,552,159</u>

The City's overall net position increased \$4,613,078 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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 capital grants during 2019. This can mainly be attributed grants for the road expansion project and a donated pool house.

Police and fire represent the largest expense of the Governmental Activities. The police and fire departments operate primarily out of the general fund. The decrease in security of persons and property is due primarily to changes in expenses associated with GASB 75.

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. Water and sewer expenses increased significantly as a result of an overall increase in operating costs. See discussion regarding proprietary funds for more analysis.

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 \$339,301 during the current fiscal year. This increase is primarily the result of conservative spending by the City.

The street maintenance fund had an \$88,593 increase in fund balance due to an increase in resources transferred in.

City of Delphos
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Management's Discussion and Analysis
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The fund balance of the income tax fund decreased by \$19,120. 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 2019 was an increase of \$2,931.

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 \$724,185, and the sewer fund was \$1,913,791 and the sanitation was \$26,705. Total growth in net position for the water and sewer was \$249,436 and \$1,323,737, respectively. The sanitation fund net position decreased \$55,225. The increase in net position for the sewer fund is the result of rate increases in May 2019 paired with transfers in. The sanitation fund decreased due to the timing of City expenditures for refuse services.

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 2019, the City did not amend its general fund budget. 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.

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.

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City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal year 2019 balances compared with 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 488,860	\$ 476,660	\$ 889,207	\$ 889,207	\$ 1,378,067	\$ 1,365,867
Buildings	742,219	390,604	25,675,023	26,371,533	26,417,242	26,762,137
Land Improvements	1,162,493	1,258,131	3,114,228	3,216,310	4,276,721	4,474,441
Vehicles	343,357	348,507	243,135	33,839	586,492	382,346
Equipment	689,331	706,684	3,721,189	2,382,482	4,410,520	3,089,166
Infrastructure	1,214,594	0	11,105,820	9,548,822	12,320,414	9,548,822
Construction in Progress	697,414	1,045,341	30,085	3,194,742	727,499	4,240,083
<i>Total</i>	<u>\$ 5,338,268</u>	<u>\$ 4,225,927</u>	<u>\$ 44,778,687</u>	<u>\$ 45,636,935</u>	<u>\$ 50,116,955</u>	<u>\$ 49,862,862</u>

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

Construction in progress for governmental activities decreased \$347,927. This is the result of a completed ODOT paving project partial offset by an ongoing road expansion project. Infrastructure increased \$1,214,594 as a result of the completed ODOT paving project. For business-type activities construction in progress decreased \$3,164,657. The City has a waste water treatment improvement project that is being completed in multiple phases. Phase two was started in a prior year and completed in 2019. Phase three is ongoing.

Debt

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

Table 4
Outstanding Debt, at December 31

	Business-Type Activities	
	2019	2018
General Obligation Bonds	\$ 127,532	\$ 374,896
OPWC Loans	1,250,191	1,334,605
OWDA Loans	26,718,969	29,061,601
Capital Leases	144,890	214,237
<i>Total</i>	<u>\$ 28,241,582</u>	<u>\$ 30,985,339</u>

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Economic Factors

The impact of the COVID-19 pandemic on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. However, the City will see a decrease in revenue for recreational activities as the City delayed opening the swimming pool and is not providing concessions. To minimize the effect of the lost revenue, the City will not be hiring as many seasonal workers in the park department.

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, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,381,154	\$ 3,164,363	\$ 6,545,517
Cash and Cash Equivalents with Fiscal Agents	104,794	0	104,794
Accounts Receivable	143,475	694,759	838,234
Intergovernmental Receivable	548,196	0	548,196
Property and Other Local Taxes Receivable	444,817	0	444,817
Income Taxes Receivable	939,981	0	939,981
Internal Balances	68,399	(68,399)	0
Prepaid Items	45,876	33,965	79,841
Restricted Cash and Cash Equivalents	0	64,976	64,976
Non-Depreciable Capital Assets	1,186,274	919,292	2,105,566
Depreciable Capital Assets, Net	4,151,994	43,859,395	48,011,389
<i>Total Assets</i>	<u>11,014,960</u>	<u>48,668,351</u>	<u>59,683,311</u>
Deferred Outflows of Resources			
Pension	1,649,179	435,386	2,084,565
OPEB	485,960	72,841	558,801
<i>Total Deferred Outflows of Resources</i>	<u>2,135,139</u>	<u>508,227</u>	<u>2,643,366</u>
Liabilities			
Accounts Payable	69,837	133,248	203,085
Accrued Wages	79,304	37,323	116,627
Contracts Payable	60,148	17,643	77,791
Retainage Payable	18,769	0	18,769
Intergovernmental Payable	39,331	14,210	53,541
Accrued Interest Payable	0	5,827	5,827
Claims Payable	26,184	0	26,184
Refundable Deposits	0	64,976	64,976
Long-Term Liabilities:			
Due Within One Year	108,464	3,039,894	3,148,358
Due In More Than One Year:			
Net Pension Liability	4,803,007	1,303,208	6,106,215
Net OPEB Liability	895,502	603,142	1,498,644
Other Amounts Due in More Than One Year	372,642	25,527,720	25,900,362
<i>Total Liabilities</i>	<u>6,473,188</u>	<u>30,747,191</u>	<u>37,220,379</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	434,277	0	434,277
Pension	118,082	17,297	135,379
OPEB	158,922	1,712	160,634
<i>Total Deferred Inflows of Resources</i>	<u>711,281</u>	<u>19,009</u>	<u>730,290</u>
Net Position			
Net Investment in Capital Assets	5,259,351	17,162,466	22,421,817
Restricted for:			
Capital Outlay	190,585	0	190,585
Streets	375,486	0	375,486
Public Safety	378,440	0	378,440
Economic Development	4,494	0	4,494
Other Purposes	134,957	0	134,957
Unrestricted	(377,683)	1,247,912	870,229
<i>Total Net Position</i>	<u>\$ 5,965,630</u>	<u>\$ 18,410,378</u>	<u>\$ 24,376,008</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Activities
For the Year Ended December 31, 2019

	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	\$ 330,761	\$ 225,505	\$ 1,420	\$ 12,200	\$ (91,636)	\$ 0	\$ (91,636)
Security of Persons and Property	583,388	374,395	28,729	15,000	(165,264)	0	(165,264)
Public Health	45,778	0	0	0	(45,778)	0	(45,778)
Leisure Time Services	693,148	128,435	24,500	342,165	(198,048)	0	(198,048)
Community Development	0	855	0	0	855	0	855
Transportation	806,693	1,350	496,709	485,091	176,457	0	176,457
<i>Total Governmental Activities</i>	<u>2,459,768</u>	<u>730,540</u>	<u>551,358</u>	<u>854,456</u>	<u>(323,414)</u>	<u>0</u>	<u>(323,414)</u>
Business-Type Activities							
Water	2,065,797	2,324,795	0	0	0	258,998	258,998
Sewer	2,443,225	2,826,370	0	0	0	383,145	383,145
Sanitation	530,087	475,661	0	0	0	(54,426)	(54,426)
<i>Total Business-Type Activities</i>	<u>5,039,109</u>	<u>5,626,826</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>587,717</u>	<u>587,717</u>
<i>Total</i>	<u>\$ 7,498,877</u>	<u>\$ 6,357,366</u>	<u>\$ 551,358</u>	<u>\$ 854,456</u>	<u>(323,414)</u>	<u>587,717</u>	<u>264,303</u>
General Revenues:							
Property and Other Local Taxes Levied for:							
					390,187	0	390,187
					58,489	0	58,489
Income Taxes Levied for:							
					2,017,093	0	2,017,093
					1,054,713	0	1,054,713
					491,649	0	491,649
					211,159	0	211,159
					91,679	0	91,679
					19,364	14,442	33,806
<i>Total General Revenues</i>					<u>4,334,333</u>	<u>14,442</u>	<u>4,348,775</u>
Transfers					(950,000)	950,000	0
<i>Total General Revenues and Transfers</i>					<u>3,384,333</u>	<u>964,442</u>	<u>0</u>
<i>Change in Net Position</i>					3,060,919	1,552,159	4,613,078
<i>Net Position Beginning of Year (Restated, see Note 2)</i>					<u>2,904,711</u>	<u>16,858,219</u>	<u>19,762,930</u>
<i>Net Position End of Year</i>					<u>\$ 5,965,630</u>	<u>\$ 18,410,378</u>	<u>\$ 24,376,008</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

	General	Street Maintenance	Income Tax	Park	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 2,467,043	\$ 133,088	\$ 86,137	\$ 67,559	\$ 582,730	\$ 3,336,557
Accounts Receivable	143,475	0	0	0	0	143,475
Intergovernmental Receivable	93,115	235,906	0	0	219,175	548,196
Property and Other Local Taxes Receivable	380,515	0	0	0	64,302	444,817
Income Taxes Receivable	582,924	0	213,883	143,174	0	939,981
Interfund Receivable	86,000	0	0	0	0	86,000
Prepaid Items	34,448	4,287	695	6,446	0	45,876
Advances to Other Funds	100,000	0	0	0	0	100,000
<i>Total Assets</i>	<u>\$ 3,887,520</u>	<u>\$ 373,281</u>	<u>\$ 300,715</u>	<u>\$ 217,179</u>	<u>\$ 866,207</u>	<u>\$ 5,644,902</u>
Liabilities						
Accounts Payable	\$ 22,784	\$ 21,506	\$ 10,433	\$ 5,739	\$ 9,375	\$ 69,837
Accrued Wages	64,912	7,569	1,993	4,830	0	79,304
Contracts Payable	55,481	0	0	0	4,667	60,148
Retainage Payable	0	0	0	0	18,769	18,769
Intergovernmental Payable	4,350	2,757	815	1,865	29,544	39,331
Interfund Payable	0	0	0	0	86,000	86,000
<i>Total Liabilities</i>	<u>147,527</u>	<u>31,832</u>	<u>13,241</u>	<u>12,434</u>	<u>148,355</u>	<u>353,389</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	370,945	0	0	0	63,332	434,277
Unavailable Revenue	581,035	151,724	116,285	96,057	17,176	962,277
<i>Total Deferred Inflows of Resources</i>	<u>951,980</u>	<u>151,724</u>	<u>116,285</u>	<u>96,057</u>	<u>80,508</u>	<u>1,396,554</u>
Fund Balances						
Nonspendable	137,922	4,287	695	6,446	0	149,350
Restricted	0	185,438	0	102,242	619,461	907,141
Committed	0	0	170,494	0	19,100	189,594
Assigned	2,445,308	0	0	0	0	2,445,308
Unassigned	204,783	0	0	0	(1,217)	203,566
<i>Total Fund Balances</i>	<u>2,788,013</u>	<u>189,725</u>	<u>171,189</u>	<u>108,688</u>	<u>637,344</u>	<u>3,894,959</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 3,887,520</u>	<u>\$ 373,281</u>	<u>\$ 300,715</u>	<u>\$ 217,179</u>	<u>\$ 866,207</u>	<u>\$ 5,644,902</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, 2019

Total Governmental Fund Balances		\$ 3,894,959
<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.		5,338,268
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 6,198	
Income Tax	603,435	
Intergovernmental	235,736	
Charges for Services	<u>116,908</u>	962,277
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.		91,606
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	1,649,179	
Deferred Outflows - OPEB	485,960	
Deferred Inflows - Pension	(118,082)	
Deferred Inflows - OPEB	(158,922)	
Net Pension Liability	(4,803,007)	
Net OPEB Liability	<u>(895,502)</u>	(3,840,374)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		<u>(481,106)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 5,965,630</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, 2019

	General	Street Maintenance	Income Tax	Park	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Local Taxes	\$ 390,648	\$ 0	\$ 0	\$ 0	\$ 58,549	\$ 449,197
Income Taxes	2,064,016	0	1,050,211	503,175	0	3,617,402
Charges for Services	634,478	0	0	0	7,991	642,469
Licenses and Permits	57,028	0	0	0	1,350	58,378
Fines and Forfeitures	1,690	0	0	0	7,325	9,015
Intergovernmental	207,106	394,484	0	24,500	490,610	1,116,700
Interest	88,909	0	0	0	0	88,909
Rent	21,650	0	0	0	0	21,650
Contributions and Donations	0	0	0	0	37,404	37,404
Other	15,774	3,465	125	0	0	19,364
<i>Total Revenues</i>	<u>3,481,299</u>	<u>397,949</u>	<u>1,050,336</u>	<u>527,675</u>	<u>603,229</u>	<u>6,060,488</u>
Expenditures						
Current:						
General Government	170,075	0	119,456	0	0	289,531
Security of Persons and Property	1,931,068	0	0	0	240,556	2,171,624
Public Health	45,778	0	0	0	0	45,778
Leisure Time Services	0	0	0	499,744	0	499,744
Transportation	242,377	443,878	0	0	69,907	756,162
Capital Outlay	0	190,478	0	25,000	646,150	861,628
<i>Total Expenditures</i>	<u>2,389,298</u>	<u>634,356</u>	<u>119,456</u>	<u>524,744</u>	<u>956,613</u>	<u>4,624,467</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,092,001</u>	<u>(236,407)</u>	<u>930,880</u>	<u>2,931</u>	<u>(353,384)</u>	<u>1,436,021</u>
Other Financing Sources (Uses)						
Transfers In	0	325,000	0	0	427,700	752,700
Transfers Out	(752,700)	0	(950,000)	0	0	(1,702,700)
<i>Total Other Financing Sources (Uses)</i>	<u>(752,700)</u>	<u>325,000</u>	<u>(950,000)</u>	<u>0</u>	<u>427,700</u>	<u>(950,000)</u>
<i>Net Change in Fund Balance</i>	339,301	88,593	(19,120)	2,931	74,316	486,021
<i>Fund Balance Beginning of Year - Restated, See Note 2</i>	<u>2,448,712</u>	<u>101,132</u>	<u>190,309</u>	<u>105,757</u>	<u>563,028</u>	<u>3,408,938</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,788,013</u>	<u>\$ 189,725</u>	<u>\$ 171,189</u>	<u>\$ 108,688</u>	<u>\$ 637,344</u>	<u>\$ 3,894,959</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, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$	486,021
<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	\$ 1,483,250	
Current Year Depreciation	<u>(370,909)</u>	1,112,341
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(521)	
Income Tax	(53,947)	
Intergovernmental	56,254	
Charges for Services	<u>(972)</u>	814
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	294,709	
OPEB	<u>5,137</u>	299,846
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	(807,008)	
OPEB	<u>2,008,964</u>	1,201,956
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.		
		36,412
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>(76,471)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>3,060,919</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$ 398,000	\$ 398,000	\$ 386,306	\$ (11,694)
Income Taxes	2,100,000	2,100,000	2,080,423	(19,577)
Charges for Services	600,950	600,950	644,944	43,994
Licenses and Permits	53,000	53,000	57,028	4,028
Fines and Forfeitures	0	0	1,690	1,690
Intergovernmental	166,000	166,000	209,171	43,171
Interest	10,000	10,000	88,909	78,909
Rent	22,000	22,000	21,650	(350)
Other	16,000	16,000	11,629	(4,371)
<i>Total Revenues</i>	<u>3,365,950</u>	<u>3,365,950</u>	<u>3,501,750</u>	<u>135,800</u>
Expenditures				
Current:				
General Government	2,417,219	2,417,219	165,447	2,251,772
Security of Persons and Property	2,063,146	2,063,146	1,953,166	109,980
Public Health	47,000	47,000	45,778	1,222
Transportation	198,817	198,817	245,751	(46,934)
<i>Total Expenditures</i>	<u>4,726,182</u>	<u>4,726,182</u>	<u>2,410,142</u>	<u>2,316,040</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,360,232)</u>	<u>(1,360,232)</u>	<u>1,091,608</u>	<u>2,451,840</u>
Other Financing Sources (Uses)				
Advances Out	(204,000)	(204,000)	(86,000)	118,000
Transfers Out	(585,000)	(585,000)	(752,700)	(167,700)
<i>Total Other Financing Sources (Uses)</i>	<u>(789,000)</u>	<u>(789,000)</u>	<u>(838,700)</u>	<u>(49,700)</u>
<i>Net Change in Fund Balance</i>	<u>(2,149,232)</u>	<u>(2,149,232)</u>	<u>252,908</u>	<u>2,402,140</u>
<i>Fund Balance Beginning of Year</i>	<u>2,126,512</u>	<u>2,126,512</u>	<u>2,126,512</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>23,768</u>	<u>23,768</u>	<u>23,768</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,048</u>	<u>\$ 1,048</u>	<u>\$ 2,403,188</u>	<u>\$ 2,402,140</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
Street Maintenance Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Intergovernmental	\$ 296,000	\$ 296,000	\$ 363,586	\$ 67,586
Other	0	0	3,465	3,465
<i>Total Revenues</i>	<u>296,000</u>	<u>296,000</u>	<u>367,051</u>	<u>71,051</u>
Expenditures				
Current:				
Transportation	487,247	487,247	425,210	62,037
Capital Outlay	196,494	196,494	196,494	0
<i>Total Expenditures</i>	<u>683,741</u>	<u>683,741</u>	<u>621,704</u>	<u>62,037</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(387,741)</u>	<u>(387,741)</u>	<u>(254,653)</u>	<u>133,088</u>
Other Financing Sources (Uses)				
Transfers In	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(62,741)	(62,741)	70,347	133,088
<i>Fund Balance Beginning of Year</i>	<u>62,741</u>	<u>62,741</u>	<u>62,741</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 133,088</u>	<u>\$ 133,088</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$ 1,050,000	\$ 1,050,000	\$ 1,058,559	\$ 8,559
Other	0	0	125	125
<i>Total Revenues</i>	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,058,684</u>	<u>8,684</u>
Expenditures				
Current:				
General Government	221,360	221,360	143,907	77,453
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>828,640</u>	<u>828,640</u>	<u>914,777</u>	<u>86,137</u>
Other Financing Sources (Uses)				
Transfers Out	(950,000)	(950,000)	(950,000)	0
<i>Net Change in Fund Balance</i>	(121,360)	(121,360)	(35,223)	86,137
<i>Fund Balance Beginning of Year</i>	121,345	121,345	121,345	0
Prior Year Encumbrances Appropriated	15	15	15	0
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 86,137</u>	<u>\$ 86,137</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Income Taxes	\$ 487,000	\$ 487,000	\$ 507,204	\$ 20,204
Intergovernmental	50,000	50,000	24,500	(25,500)
<i>Total Revenues</i>	<u>537,000</u>	<u>537,000</u>	<u>531,704</u>	<u>(5,296)</u>
Expenditures				
Current:				
Leisure Time Services	542,916	542,916	500,811	42,105
Capital Outlay	50,000	50,000	25,000	25,000
<i>Total Expenditures</i>	<u>592,916</u>	<u>592,916</u>	<u>525,811</u>	<u>67,105</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(55,916)</u>	<u>(55,916)</u>	<u>5,893</u>	<u>61,809</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(5,750)</u>	<u>(5,750)</u>	<u>0</u>	<u>5,750</u>
<i>Net Change in Fund Balance</i>	(61,666)	(61,666)	5,893	67,559
<i>Fund Balance Beginning of Year</i>	60,144	60,144	60,144	0
Prior Year Encumbrances Appropriated	<u>1,522</u>	<u>1,522</u>	<u>1,522</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,559</u>	<u>\$ 67,559</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 518,651	\$ 2,600,524	\$ 45,188	\$ 3,164,363	\$ 44,597
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0	104,794
Accounts Receivable	286,722	360,984	47,053	694,759	0
Prepaid Items	13,534	20,260	171	33,965	0
<i>Total Current Assets</i>	<u>818,907</u>	<u>2,981,768</u>	<u>92,412</u>	<u>3,893,087</u>	<u>149,391</u>
<i>Non-Current Assets:</i>					
<i>Restricted Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	26,815	32,625	5,536	64,976	0
Non-Depreciable Capital Assets	12,658	906,634	0	919,292	0
Depreciable Capital Assets, Net	17,967,146	25,884,743	7,506	43,859,395	0
<i>Total Non-Current Assets</i>	<u>18,006,619</u>	<u>26,824,002</u>	<u>13,042</u>	<u>44,843,663</u>	<u>0</u>
<i>Total Assets</i>	<u>18,825,526</u>	<u>29,805,770</u>	<u>105,454</u>	<u>48,736,750</u>	<u>149,391</u>
Deferred Outflows of Resources					
Pension	222,445	205,727	7,214	435,386	0
OPEB	39,374	32,515	952	72,841	0
<i>Total Deferred Outflows of Resources</i>	<u>261,819</u>	<u>238,242</u>	<u>8,166</u>	<u>508,227</u>	<u>0</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	29,641	65,282	38,325	133,248	0
Accrued Wages	18,747	17,915	661	37,323	0
Contracts Payable	0	17,643	0	17,643	0
Intergovernmental Payable	7,085	6,876	249	14,210	0
Accrued Interest Payable	2,499	3,328	0	5,827	0
Claims Payable	0	0	0	0	26,184
Compensated Absences Payable	37,334	40,442	0	77,776	0
Capital Leases Payable	0	71,392	0	71,392	0
OPWC Loans Payable	22,261	16,000	0	38,261	0
OWDA Loans Payable	869,501	1,855,432	0	2,724,933	0
General Obligation Bonds Payable	127,532	0	0	127,532	0
<i>Total Current Liabilities</i>	<u>1,114,600</u>	<u>2,094,310</u>	<u>39,235</u>	<u>3,248,145</u>	<u>26,184</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	104,052	144,204	0	248,256	0
Capital Leases Payable - Net of Current Portion	0	73,498	0	73,498	0
OPWC Loans Payable - Net of Current Portion	699,930	512,000	0	1,211,930	0
OWDA Loans Payable - Net of Current Portion	7,497,744	16,496,292	0	23,994,036	0
Refundable Deposits	26,815	32,625	5,536	64,976	0
Advances from Other Funds	0	100,000	0	100,000	0
Net Pension Liability	651,604	628,332	23,272	1,303,208	0
Net OPEB Liability	301,571	290,801	10,770	603,142	0
<i>Total Long-Term Liabilities</i>	<u>9,281,716</u>	<u>18,277,752</u>	<u>39,578</u>	<u>27,599,046</u>	<u>0</u>
<i>Total Liabilities</i>	<u>10,396,316</u>	<u>20,372,062</u>	<u>78,813</u>	<u>30,847,191</u>	<u>26,184</u>
Deferred Inflows of Resources					
Pension	8,556	8,250	491	17,297	0
OPEB	818	789	105	1,712	0
<i>Total Deferred Inflows of Resources</i>	<u>9,374</u>	<u>9,039</u>	<u>596</u>	<u>19,009</u>	<u>0</u>
Net Position					
Net Investment in Capital Assets	9,405,840	7,749,120	7,506	17,162,466	0
Unrestricted	(724,185)	1,913,791	26,705	1,216,311	123,207
<i>Total Net Position</i>	<u>\$ 8,681,655</u>	<u>\$ 9,662,911</u>	<u>\$ 34,211</u>	<u>18,378,777</u>	<u>\$ 123,207</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

31,601
\$ 18,410,378

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, 2019

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Operating Revenues					
Charges for Services	\$ 2,322,995	\$ 2,826,320	\$ 475,661	\$ 5,624,976	\$ 484,916
Tap-In Fees	1,800	50	0	1,850	0
Other	7,023	7,419	0	14,442	0
<i>Total Operating Revenues</i>	<u>2,331,818</u>	<u>2,833,789</u>	<u>475,661</u>	<u>5,641,268</u>	<u>484,916</u>
Operating Expenses					
Personal Services	742,522	658,109	22,837	1,423,468	0
Contractual Services	259,970	830,974	499,824	1,590,768	215,498
Materials and Supplies	312,115	112,040	5,281	429,436	0
Claims	0	0	0	0	201,565
Depreciation	567,865	854,216	2,944	1,425,025	0
<i>Total Operating Expenses</i>	<u>1,882,472</u>	<u>2,455,339</u>	<u>530,886</u>	<u>4,868,697</u>	<u>417,063</u>
<i>Operating Income (Loss)</i>	<u>449,346</u>	<u>378,450</u>	<u>(55,225)</u>	<u>772,571</u>	<u>67,853</u>
Non-Operating Revenues (Expense)					
Interest	0	0	0	0	2,770
Interest and Fiscal Charges	(199,910)	(4,713)	0	(204,623)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>(199,910)</u>	<u>(4,713)</u>	<u>0</u>	<u>(204,623)</u>	<u>2,770</u>
<i>Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers</i>	249,436	373,737	(55,225)	567,948	70,623
Transfers In	0	950,000	0	950,000	0
<i>Change in Net Position</i>	249,436	1,323,737	(55,225)	1,517,948	70,623
<i>Net Position Beginning of Year</i>	<u>8,432,219</u>	<u>8,339,174</u>	<u>89,436</u>		<u>52,584</u>
<i>Net Position End of Year</i>	<u>\$ 8,681,655</u>	<u>\$ 9,662,911</u>	<u>\$ 34,211</u>		<u>\$ 123,207</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>34,211</u>	
Changes in Net Position of Business-Type Activities				<u>\$ 1,552,159</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, 2019

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 2,335,002	\$ 2,838,888	\$ 481,678	\$ 5,655,568	\$ 484,916
Cash Received from Other Operating Receipts	7,108	7,523	18	14,649	0
Cash Payments to Suppliers for Goods and Services	(308,750)	(115,539)	(5,296)	(429,585)	0
Cash Payments to Employees for Services and Benefits	(553,040)	(560,102)	(19,251)	(1,132,393)	0
Cash Payments for Contractual Services	(266,515)	(846,681)	(462,009)	(1,575,205)	(215,498)
Cash Payments for Claims	0	0	0	0	(206,414)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,213,805</u>	<u>1,324,089</u>	<u>(4,860)</u>	<u>2,533,034</u>	<u>63,004</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds of OWDA Loans	0	348,598	0	348,598	0
Acquisition of Capital Assets	(106,599)	(610,187)	0	(716,786)	0
Principal Payments on Debt	(1,151,641)	(1,940,714)	0	(3,092,355)	0
Interest Payments on Debt	(205,154)	(6,320)	0	(211,474)	0
Transfers In	0	950,000	0	950,000	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,463,394)</u>	<u>(1,258,623)</u>	<u>0</u>	<u>(2,722,017)</u>	<u>0</u>
Cash Flows from Investing Activities					
Interest	0	0	0	0	2,770
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(249,589)	65,466	(4,860)	(188,983)	65,774
<i>Cash and Cash Equivalents Beginning of Year - Restated</i>	795,055	2,567,683	55,584	3,418,322	83,617
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 545,466</u>	<u>\$ 2,633,149</u>	<u>\$ 50,724</u>	<u>\$ 3,229,339</u>	<u>\$ 149,391</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ 449,346	\$ 378,450	\$ (55,225)	\$ 772,571	\$ 67,853
Adjustments:					
Depreciation	567,865	854,216	2,944	1,425,025	0
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	10,207	12,518	6,017	28,742	0
Prepaid Items	(7,200)	(5,556)	(171)	(12,927)	0
Deferred Outflows - Pension/OPEB	(131,622)	(107,440)	(3,720)	(242,782)	0
Increase (Decrease) in Liabilities and Deferred Inflows:					
Accounts Payable	(1,412)	(18,689)	37,901	17,800	0
Accrued Wages	2,492	(1,411)	119	1,200	0
Claims Payable	0	0	0	0	(4,849)
Compensated Absences Payable	47,635	(29,683)	0	17,952	0
Refundable Deposits	(402)	(489)	(83)	(974)	0
Intergovernmental Payable	883	537	34	1,454	0
Deferred Inflows - Pension/OPEB	(90,397)	(90,732)	(4,150)	(185,279)	0
Net Pension Liability	301,011	277,739	9,788	588,538	0
Net OPEB Liability	65,399	54,629	1,686	121,714	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,213,805</u>	<u>\$ 1,324,089</u>	<u>\$ (4,860)</u>	<u>\$ 2,533,034</u>	<u>\$ 63,004</u>

Noncash Capital Financing Activities:

The City purchased \$17,643 and \$167,652 of capital assets on account for the sewer fund in 2019 and 2018, 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, 2019

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, 2019

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 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, 2019

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, 2019

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, 2019, but which were levied to finance 2020 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, 2019

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 2019, 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 2019 amounted to \$88,909 which includes \$57,120 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, 2019, 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, 2019

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, 2019. 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.

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For the Year Ended December 31, 2019

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
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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.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 2019.

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 year ended December 31, 2019, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended December 31, 2019, the City has early implemented GASB No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the City.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

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U. Restatement of Net Position/Fund Balances

In prior years, cash related utility deposits were reported in the general fund rather than their respective proprietary funds. To correct this the following adjustments were made to net position as reported December 31, 2018:

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2018	\$ 2,970,661	\$ 16,858,219
Adjustments:		
Assets - Cash and Cash Equivalents	(65,950)	65,950
Liabilities - Refundable Deposits	0	(65,950)
Restated Net Position, December 31, 2018	\$ 2,904,711	\$ 16,858,219

The following adjustment was made on fund balance as reported December 31, 2018:

	General Fund
Fund Balance, December 31, 2018	\$ 2,514,662
Assets - Cash and Cash Equivalents	(65,950)
Restated Fund Balance, December 31, 2018	\$ 2,448,712

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.

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Net Change in Fund Balance

	General	Street Maintenance	Income Tax	Park
GAAP Basis	\$ 339,301	\$ 88,593	\$ (19,120)	\$ 2,931
Net Adjustment for Revenue Accruals	24,596	(30,898)	8,348	4,029
Net Adjustment for Expenditure Accruals	(50,325)	12,652	(24,451)	(1,067)
Funds Budgeted Elsewhere *	(283)	0	0	0
Adjustment for Encumbrances	(60,381)	0	0	0
Budget Basis	<u>\$ 252,908</u>	<u>\$ 70,347</u>	<u>\$ (35,223)</u>	<u>\$ 5,893</u>

* 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.

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;

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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).
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, 2019 the City had \$278 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Equivalents."

Deposits - At December 31, 2019, \$1,396,040 of the City's bank balance of \$6,644,230 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:

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- 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 \$104,794 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.

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 2019 for real and public utility property taxes represents collections of the 2018 taxes.

2019 real property taxes were levied after October 1, 2019 on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019 and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$6.75 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

	<u>Allen County</u>	<u>Van Wert County</u>
Real Property	\$ 72,878,810	\$ 36,082,410
Public Utilities - Real	1,990	1,460
Public Utilities - Personal	2,380,330	1,463,860
Total Assessed Value	\$ 75,261,130	\$ 37,547,730

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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, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 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.

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, 2019 consisted of taxes, accounts (billings for user charged services), short and long-term advances 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 2019:

Transfer To	Transfer From		Total
	General	Income Tax	
Street Maintenance	\$ 325,000	\$ 0	\$ 325,000
Nonmajor Governmental	427,700	0	427,700
Sewer Fund	0	950,000	950,000
<i>Total</i>	<i>\$ 752,700</i>	<i>\$ 950,000</i>	<i>\$ 1,702,700</i>

The transfers from the general fund to the various other 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.

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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.

C. Interfund Receivable/Payable

Interfund activity for the year ended December 31, 2019, consisted of an interfund advance from the general fund to a nonmajor governmental fund in the amount of \$86,000. The interfund receivable and payable is a result of the general fund advancing money to the nonmajor governmental fund to be used to pay for current expenditures. This will be repaid to the general fund once the resources become available to do so.

NOTE 8: CAPITAL ASSETS

Governmental activities capital asset activity for the fiscal year ended December 31, 2019 was as follows:

Governmental Activities	Beginning Balance 1/1/2019	Increases	Decreases	Ending Balance 12/31/2019
Capital assets, not being depreciated:				
Land	\$ 476,660	\$ 12,200	\$ 0	\$ 488,860
Construction in progress	1,045,341	730,269	(1,078,196)	697,414
Total capital assets, not being depreciated	<u>1,522,001</u>	<u>742,469</u>	<u>(1,078,196)</u>	<u>1,186,274</u>
Capital assets, being depreciated:				
Buildings	1,475,541	404,851	0	1,880,392
Land improvements	2,552,272	0	0	2,552,272
Vehicles	1,872,454	65,812	(14,000)	1,924,266
Equipment	1,639,910	73,624	(14,375)	1,699,159
Infrastructure	0	1,274,690	0	1,274,690
Total capital assets, being depreciated	<u>7,540,177</u>	<u>1,818,977</u>	<u>(28,375)</u>	<u>9,330,779</u>
Less: accumulated depreciation				
Buildings	(1,084,937)	(53,236)	0	(1,138,173)
Land improvements	(1,294,141)	(95,638)	0	(1,389,779)
Vehicles	(1,523,947)	(70,962)	14,000	(1,580,909)
Equipment	(933,226)	(90,977)	14,375	(1,009,828)
Infrastructure	0	(60,096)	0	(60,096)
Total accumulated depreciation	<u>(4,836,251)</u>	<u>(370,909)</u>	<u>28,375</u>	<u>(5,178,785)</u>
Total capital assets being depreciated, net	<u>2,703,926</u>	<u>1,448,068</u>	<u>0</u>	<u>4,151,994</u>
Governmental activities capital assets, net	<u>\$ 4,225,927</u>	<u>\$ 2,190,537</u>	<u>\$ (1,078,196)</u>	<u>\$ 5,338,268</u>

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

<u>Governmental Activities:</u>	
General government	\$ 3,777
Security of persons and property	134,438
Leisure time services	155,094
Transportation	<u>77,600</u>
Total Depreciation Expense	<u><u>\$ 370,909</u></u>

The business-type activities capital asset activity for the fiscal year ended December 31, 2019 was as follows:

Business-Type Activities	<u>Beginning Balance 1/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 12/31/2019</u>
Capital assets, not being depreciated:				
Land	\$ 889,207	\$ 0	\$ 0	\$ 889,207
Construction in progress	<u>3,194,742</u>	<u>125,037</u>	<u>(3,289,694)</u>	<u>30,085</u>
Total capital assets, not being depreciated	<u>4,083,949</u>	<u>125,037</u>	<u>(3,289,694)</u>	<u>919,292</u>
Capital assets, being depreciated:				
Buildings	36,340,381	13,550	0	36,353,931
Land improvements	4,462,442	0	0	4,462,442
Vehicles	488,632	239,259	0	727,891
Equipment	17,666,464	1,618,980	(19,243)	19,266,201
Infrastructure	<u>16,210,407</u>	<u>1,859,645</u>	<u>0</u>	<u>18,070,052</u>
Total capital assets, being depreciated	<u>75,168,326</u>	<u>3,731,434</u>	<u>(19,243)</u>	<u>78,880,517</u>
Less: accumulated depreciation				
Buildings	(9,968,848)	(710,060)	0	(10,678,908)
Land improvements	(1,246,132)	(102,082)	0	(1,348,214)
Vehicles	(454,793)	(29,963)	0	(484,756)
Equipment	(15,283,982)	(280,273)	19,243	(15,545,012)
Infrastructure	<u>(6,661,585)</u>	<u>(302,647)</u>	<u>0</u>	<u>(6,964,232)</u>
Total accumulated depreciation	<u>(33,615,340)</u>	<u>(1,425,025)</u>	<u>19,243</u>	<u>(35,021,122)</u>
Total capital assets being depreciated, net	<u>41,552,986</u>	<u>2,306,409</u>	<u>0</u>	<u>43,859,395</u>
Business-type activities capital assets, net	<u><u>\$ 45,636,935</u></u>	<u><u>\$ 2,431,446</u></u>	<u><u>\$ (3,289,694)</u></u>	<u><u>\$ 44,778,687</u></u>

City of Delphos
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Notes to the Basic Financial Statements
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NOTE 9: DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and 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 net pension liability and the net OPEB liability represent 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/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 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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 10 for the OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. 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.

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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):

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:

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	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$186,176 for 2019. Of this amount, \$22,204 is reported as an intergovernmental payable.

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. See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits.

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

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receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 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 \$212,792 for 2019. Of this amount, \$28,845 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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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:

	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.008497%	0.046297%	
Prior Measurement Period	0.008595%	0.046461%	
Change in Proportion	-0.000098%	-0.000164%	
 Proportionate Share of the Net			
Pension Liability	\$ 2,327,156	\$ 3,779,059	\$ 6,106,215
Pension Expense	\$ 534,746	\$ 586,681	\$ 1,121,427

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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, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 315,859	\$ 465,576	\$ 781,435
Differences between Expected and Actual Experience	107	155,265	155,372
Changes of Assumptions	202,585	100,188	302,773
Changes in Proportionate Share	41,406	404,611	446,017
City Contributions Subsequent to the Measurement Date	186,176	212,792	398,968
Total Deferred Outflows of Resources	\$ 746,133	\$ 1,338,432	\$ 2,084,565
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 30,556	\$ 3,530	\$ 34,086
Changes in Proportionate Share	35,223	66,070	101,293
Total Deferred Inflows of Resources	\$ 65,779	\$ 69,600	\$ 135,379

In the year ending December 31, 2020, \$398,968 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	OP&F	Total
2020	\$ 221,401	\$ 307,800	\$ 529,201
2021	96,575	205,995	302,570
2022	29,303	246,783	276,086
2023	146,899	270,379	417,278
2024	0	25,083	25,083
	\$ 494,178	\$ 1,056,040	\$ 1,550,218

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.

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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, 2018, 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, 2018 are presented below.

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2018
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	
Measurement Date	7.20 percent
Prior Measurement Date	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 2018, 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 a loss of 2.94 percent for 2018.

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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 2018 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	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	<u>18.00</u>	<u>5.50</u>
Total	<u>100.00 %</u>	<u>5.95 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.20 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 benefit 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 7.20 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 (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability	\$ 3,437,886	\$ 2,327,156	\$ 1,404,129

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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
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 Buck 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 Buck 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, 2018, are summarized below:

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<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>
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-U.S. Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income*	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation Linked Bonds*	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
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</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability	\$ 4,967,312	\$ 3,779,059	\$ 2,786,101

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NOTE 10: DEFINED BENEFIT OPEB PLANS

See Note 9 for a description of the net OPEB liability.

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.

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. Beginning in 2018, health care was not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, 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. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for members in the Traditional Pension Plan and Combined Plan. 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

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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 2019 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 2019.

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.

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).

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Beginning January 1, 2019, OP&F changed its retiree health care model and the self-insured health care plan is no longer offered. In its place is a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$5,137 for 2019. Of this amount, \$699 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, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.008261%	0.046297%	
Prior Measurement Period	0.008365%	0.046461%	
Change in Proportion	<u>-0.000104%</u>	<u>-0.000164%</u>	
Proportionate Share of the Net			
OPEB Liability	\$ 1,077,039	\$ 421,605	\$ 1,498,644
OPEB Expense	\$ 103,673	\$ (2,040,606)	\$ (1,936,933)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	\$ 49,377	\$ 14,273	\$ 63,650
Differences between Expected and			
Actual Experience	365	0	365
Changes of Assumptions	34,726	218,540	253,266
Changes in Proportionate Share	25,539	210,844	236,383
City Contributions Subsequent			
to the Measurement Date	<u>0</u>	<u>5,137</u>	<u>5,137</u>
Total Deferred Outflows of Resources	<u>\$ 110,007</u>	<u>\$ 448,794</u>	<u>\$ 558,801</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 2,923	\$ 11,296	\$ 14,219
Changes of Assumptions	0	116,720	116,720
Changes in Proportionate Share	22,405	7,290	29,695
Total Deferred Inflows of Resources	<u>\$ 25,328</u>	<u>\$ 135,306</u>	<u>\$ 160,634</u>

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In 2020, \$5,137 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	OP&F	Total
2020	\$ 44,675	\$ 53,614	\$ 98,289
2021	7,111	53,614	60,725
2022	8,019	53,616	61,635
2023	24,874	57,933	82,807
2024	0	51,126	51,126
Thereafter	0	38,448	38,448
	\$ 84,679	\$ 308,351	\$ 393,030

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 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, 2017, rolled forward to the measurement date of December 31, 2018. 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 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.50 percent
Municipal Bond Rate	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Prior Measurement Date	7.50 percent, initial, 3.25 percent ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

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

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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 2018, 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 was a loss of 5.60 percent for 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 2018 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 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trusts	6.00	5.98
International Equities	22.00	7.83
Other Investments	<u>17.00</u>	<u>5.57</u>
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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

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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 6.00 percent and a municipal bond rate of 3.71 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 3.96 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 (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 1,377,935	\$ 1,077,039	\$ 837,748

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 2019 is 10.00 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	\$ 1,035,269	\$ 1,077,039	\$ 1,125,148

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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

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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.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Investment Rate of Return	
Current Measurement Date	8.00 percent
Prior Measurement Date	8.00 percent
Single Discount Rate:	
Current Measurement Date	4.66 percent
Prior Measurement Date	3.24 percent
Municipal Bond Rate	
Current Measurement Date	4.13 percent
Prior Measurement Date	3.16 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on the lessor 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 Buck 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 Buck 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

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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, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-U.S. Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income*	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
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 1.20 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 4.66 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 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 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 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

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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 4.66 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 (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 513,630	\$ 421,605	\$ 344,358

NOTE 11: COMMITMENTS

A. Contractual Commitments

The City had the following contractual commitment outstanding at December 31, 2019.

	Contractual Commitment	Expended	Balance 12/31/2019
WWTP Improvements	\$ 361,700	\$ 30,085	\$ 331,615
Coletta Way	543,724	422,496	121,228
5th Street Resurfacing	248,928	176,853	72,075
1st and 3rd Street Paving	25,000	17,500	7,500
Dog Park	8,500	2,637	5,863
3rd Street Sewer Repair	76,415	0	76,415
	\$ 1,264,267	\$ 649,571	\$ 614,696

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.

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	\$ 4,900
Other Governmental Funds	206,666
Totals	\$ 211,566

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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 limits depending on the negotiated agreements and/or policy and procedure manual. Any exceptions to these must be approved by the City’s Safety Service Director. 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 2019 were as follows:

	Outstanding 1/1/2019	Additions	Deletions	Outstanding 12/31/2019	Amounts Due In One Year
Governmental Activities:					
<i>Other Long-Term Obligations:</i>					
Net Pension Liability	\$ 3,485,272	\$ 1,317,735	\$ 0	\$ 4,803,007	\$ 0
Net OPEB Liability	3,059,330	0	(2,163,828)	895,502	0
Compensated Absences	404,635	199,260	(122,789)	481,106	108,464
<i>Total Governmental Activities</i>					
<i>Other Long-Term Obligations:</i>	<u>\$ 6,949,237</u>	<u>\$ 1,516,995</u>	<u>\$ (2,286,617)</u>	<u>\$ 6,179,615</u>	<u>\$ 108,464</u>

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	Outstanding 1/1/2019	Additions	Deletions	Outstanding 12/31/2019	Amounts Due In One Year
Business-Type Activities:					
General Obligation Refunding Bonds:					
Water Plant Improvement	\$ 374,896	\$ 0	\$ (247,364)	\$ 127,532	\$ 127,532
Direct Borrowings:					
<i>OWDA loans:</i>					
2005 OWDA loan	15,774,712	0	(1,687,038)	14,087,674	1,703,103
2006 OWDA loan	8,226,104	0	(794,511)	7,431,593	810,480
2007 OWDA loan	627,930	0	(21,891)	606,039	22,847
2007 OWDA loan	319,075	0	(32,697)	286,378	33,354
2013 OWDA loan	45,999	0	(2,764)	43,235	2,820
2017 OWDA loan	4,067,781	342,558	(152,329)	4,258,010	152,329
2019 OWDA loan	0	6,040	0	6,040	0
Total OWDA Loans	29,061,601	348,598	(2,691,230)	26,718,969	2,724,933
<i>OPWC Loans:</i>					
1999 OPWC loan	7,894	0	(7,894)	0	0
2007 OPWC loan	87,985	0	(8,798)	79,187	4,400
2015 OPWC loan	560,000	0	(32,000)	528,000	16,000
2016 OPWC loan	678,726	0	(35,722)	643,004	17,861
Total OPWC Loans	1,334,605	0	(84,414)	1,250,191	38,261
Total Direct Borrowings	30,396,206	348,598	(2,775,644)	27,969,160	2,763,194
Other Long-Term Obligations:					
Net Pension Liability	714,670	588,538	0	1,303,208	0
Net OPEB Liability	481,428	121,714	0	603,142	0
Lease Obligation	214,237	0	(69,347)	144,890	71,392
Compensated Absences	308,080	121,562	(103,610)	326,032	77,776
Total Other Long-Term Obligations	1,718,415	831,814	(172,957)	2,377,272	149,168
Total Business-Type Activities, Long-Term Liabilities	\$ 32,489,517	\$ 1,180,412	\$ (3,195,965)	\$ 30,473,964	\$ 3,039,894

General Obligations Bonds

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.

Direct Borrowings

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, matures in the year 2028.

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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 loans bear interest rates of 2.00% and 4.32% respectively. The water treatment plant was up and running in October 2007. 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, matures in the year 2037 and bears an interest rate of 2.00%.

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 and bears an interest rate of 2.00%.

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 \$4,486,505 had been drawn down as of December 31, 2019. The City's sewer system revenues will be used for the principal repayment.

The 2019 Ohio Water Development Authority (OWDA) loan is for improvements to the wastewater treatment plant's membranes. The loan was approved for \$230,120, of which \$6,040 had been drawn down as of December 31, 2019. 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.

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The City has pledged future water and sewer revenues, net of specified operating expenses to repay \$27,969,160 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 131.93 percent. The total principal and interest remaining to be paid on the loans is \$28,959,069. Principal and interest paid for the current year and total net receipts were \$2,968,236 and \$2,249,877, respectively.

In the event of default, as defined by each OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the City Treasurer to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default.

In the event of default, as defined by each OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the City to pay any fines or penalties incurred with interest.

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.

On April 7, 2020, OPWC deferred all July 2020 loan payments with no payment due until January 2021 billing cycle with a six-month deferment for the life of the loan. This is reflected in the due within one year amount and the amortization schedule below.

The annual requirements to amortize all bonded debt and loans as of December 31, 2019 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2020	\$ 127,532	\$ 2,569	\$ 2,724,933	\$ 176,950	\$ 38,261	\$ 2,890,726	\$ 179,519
2021	0	0	2,805,189	158,933	76,520	2,881,709	158,933
2022	0	0	2,839,962	140,531	76,521	2,916,483	140,531
2023	0	0	2,875,286	121,737	76,520	2,951,806	121,737
2024	0	0	2,911,172	102,538	76,521	2,987,693	102,538
2025-2029	0	0	9,712,414	225,479	378,204	10,090,618	225,479
2030-2034	0	0	965,125	53,285	338,615	1,303,740	53,285
2035-2039	0	0	897,538	10,456	189,029	1,086,567	10,456
2040-2044	0	0	761,645	0	0	761,645	0
2045-2048	0	0	533,150	0	0	533,150	0
Undrawn	0	0	(307,445)	0	0	(307,445)	0
Totals	\$ 127,532	\$ 2,569	\$ 26,718,969	\$ 989,909	\$ 1,250,191	\$ 28,096,692	\$ 992,478

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 \$69,347 were made during 2019.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 \$65,499 as of December 31, 2019, leaving the current book value of \$291,765. 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, 2019:

			Business-Type Activities
Year ending December 31,	2020	\$	75,667
	2021		75,667
			151,334
Less: amount representing interest at the City's incremental borrowing rate of interest			(6,444)
Present value of net minimum lease payments		\$	144,890

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 2019, employees had a choice of a health reimbursement account or a health savings account. The claims liability at December 31, 2019, was estimated to be \$0.

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 \$50,000. Claims above a \$50,000 deductible are internally pooled. Claims above \$1,500,000 are covered by stop loss. The claims liability at December 31, 2019, was estimated by the third party administrator to be \$26,184. 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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Changes in the fund's claims liability for 2019 and 2018 are as follows:

<u>Liability Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2019	\$ 31,033	\$ 201,565	\$ 206,414	\$ 26,184
2018	\$ 4,858	\$ 331,915	\$ 305,740	\$ 31,033

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.

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City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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:						
Long-term Advances	\$ 100,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,000
Prepays	34,448	4,287	695	6,446	0	45,876
Unclaimed Monies	3,474	0	0	0	0	3,474
Total Nonspendable	<u>137,922</u>	<u>4,287</u>	<u>695</u>	<u>6,446</u>	<u>0</u>	<u>149,350</u>
Restricted for:						
Capital Outlay	0	0	0	0	167,149	167,149
Street Maintenance	0	185,438	0	0	66,954	252,392
Public Safety	0	0	0	0	380,864	380,864
Economic Development	0	0	0	0	4,494	4,494
Parks and Recreation	0	0	0	102,242	0	102,242
Total Restricted	<u>0</u>	<u>185,438</u>	<u>0</u>	<u>102,242</u>	<u>619,461</u>	<u>907,141</u>
Committed for:						
Income Tax	0	0	170,494	0	0	170,494
Guaranteed Street Bond	0	0	0	0	19,100	19,100
Total Committed	<u>0</u>	<u>0</u>	<u>170,494</u>	<u>0</u>	<u>19,100</u>	<u>189,594</u>
Assigned:						
Encumbrances						
Transportation	4,900	0	0	0	0	4,900
Subsequent Year Appropriations	2,440,408	0	0	0	0	2,440,408
Total Assigned	<u>2,445,308</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,445,308</u>
Unassigned	<u>204,783</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,217)</u>	<u>203,566</u>
Total Fund Balance	<u>\$ 2,788,013</u>	<u>\$ 189,725</u>	<u>\$ 171,189</u>	<u>\$ 108,688</u>	<u>\$ 637,344</u>	<u>\$ 3,894,959</u>

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 18: SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. However, the City delayed opening the swimming pool and is not providing concessions. To reduce the effect of the lost revenue, the City will hire fewer seasonal workers than in prior years in the park department.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
City's Proportion of the Net Pension Liability	0.008497%	0.008595%	0.008268%	0.008064%
City's Proportionate Share of the Net Pension Liability	\$ 2,327,156	\$ 1,348,433	\$ 1,877,626	\$ 1,396,786
City's Covered Payroll	\$ 1,144,764	\$ 1,138,914	\$ 1,111,750	\$ 1,003,625
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	203.29%	118.40%	168.89%	139.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
City's Proportion of the Net Pension Liability	0.046297%	0.046461%	0.040498%	0.034220%
City's Proportionate Share of the Net Pension Liability	\$ 3,779,059	\$ 2,851,509	\$ 2,565,091	\$ 2,201,397
City's Covered Payroll	\$ 1,066,890	\$ 1,025,748	\$ 881,807	\$ 714,809
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	354.21%	277.99%	290.89%	307.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%

(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.

<u>2015</u>	<u>2014</u>
0.008028%	0.008028%
\$ 968,267	\$ 946,397
\$ 1,032,858	\$ 1,427,915
93.75%	66.28%
86.45%	86.36%
0.037535%	0.037535%
\$ 1,944,464	\$ 1,828,067
\$ 763,545	\$ 974,959
254.66%	187.50%
72.20%	73.00%

See accompanying notes to the required supplementary information.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 186,176	\$ 160,267	\$ 148,059	\$ 133,607
Contributions in Relation to the Contractually Required Contribution	<u>(186,176)</u>	<u>(160,267)</u>	<u>(148,059)</u>	<u>(133,607)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,329,829	\$ 1,144,764	\$ 1,138,914	\$ 1,111,750
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.02%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 212,792	\$ 221,133	\$ 214,753	\$ 184,251
Contributions in Relation to the Contractually Required Contribution	<u>(212,792)</u>	<u>(221,133)</u>	<u>(214,753)</u>	<u>(184,251)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,027,351	\$ 1,066,890	\$ 1,025,748	\$ 881,807
Contributions as a Percentage of Covered Payroll	20.71%	20.73%	20.94%	20.89%

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

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 120,435	\$ 123,943	\$ 185,629	n/a	n/a	n/a
<u>(120,435)</u>	<u>(123,943)</u>	<u>(185,629)</u>	n/a	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a
\$ 1,003,625	\$ 1,032,858	\$ 1,427,915	n/a	n/a	n/a
12.00%	12.00%	13.00%	n/a	n/a	n/a
\$ 146,805	\$ 156,819	\$ 171,153	\$ 142,533	\$ 173,813	\$ 145,806
<u>(146,805)</u>	<u>(156,819)</u>	<u>(171,153)</u>	<u>(142,533)</u>	<u>(173,813)</u>	<u>(145,806)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 714,809	\$ 763,545	\$ 974,959	\$ 977,208	\$ 1,191,664	\$ 999,648
20.54%	20.54%	17.55%	14.59%	14.59%	14.59%

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net OPEB Liability	0.008261%	0.008365%	0.008065%
City's Proportionate Share of the Net OPEB Liability	\$ 1,077,039	\$ 908,354	\$ 814,592
City's Covered Payroll	\$ 1,144,764	\$ 1,144,764	\$ 1,138,914
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	94.08%	79.35%	71.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net OPEB Liability	0.046297%	0.046461%	0.040498%
City's Proportionate Share of the Net OPEB Liability	\$ 421,605	\$ 2,632,404	\$ 1,922,349
City's Covered Payroll	\$ 1,066,890	\$ 1,066,890	\$ 1,025,748
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.52%	246.74%	187.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 11,389	\$ 22,235
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(11,389)</u>	<u>(22,235)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll (1)	\$ 1,329,829	\$ 1,144,764	\$ 1,138,914	\$ 1,111,750
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 5,137	\$ 5,334	\$ 5,129	\$ 4,409
Contributions in Relation to the Contractually Required Contribution	<u>(5,137)</u>	<u>(5,334)</u>	<u>(5,129)</u>	<u>(4,409)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,027,351	\$ 1,066,890	\$ 1,025,748	\$ 881,807
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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</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
\$ 3,574	\$ 3,818	\$ 31,657	\$ 65,962	\$ 80,739	\$ 67,221
<u>(3,574)</u>	<u>(3,818)</u>	<u>(31,657)</u>	<u>(65,962)</u>	<u>(80,739)</u>	<u>(67,221)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 714,809	\$ 763,545	\$ 974,959	\$ 977,208	\$ 1,191,664	\$ 999,648
0.50%	0.50%	3.25%	6.75%	6.78%	6.72%

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, 2019

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

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 2018, the single discount rate changed from 8.25 percent to 8.00 percent.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

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

Changes in Assumptions – OP&F

For calendar year 2019, the discount rate increased from 3.24 percent to 4.66 percent and the municipal bond rate from 3.16 percent to 4.13 percent.

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

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model to 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.

**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, 2019, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 Lobson LLC

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