



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF DELPHOS
ALLEN COUNTY
DECEMBER 31, 2017**

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CITY OF DELPHOS
ALLEN COUNTY
DECEMBER 31, 2017

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

City of Delphos
Allen County
608 N. Canal Street
Delphos, Ohio 45833

To the City Mayor and Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Income Tax and Park Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2017, the City changed the presentation of the financial statements to be in accordance with accounting principles generally accepted in the United States of America and the accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2019

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

The discussion and analysis of the City of Delphos's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. 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 2017 are as follows:

- In total, net position increased \$2,691,764, which represents a 16 percent increase from 2016. Net position of governmental activities increased \$911,152. Net position of business-type activities increased \$1,780,612.
- Total capital assets increased \$1,154,846 in 2017. Capital assets of governmental activities increased \$707,232 and capital assets of business-type activities increased \$447,614.
- Outstanding debt decreased from \$31,906,752 to \$31,265,233 due to principal payments made during the year, partially offset by new OPWC and OWDA loans and a new capital lease.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2017 and how they affected the operations of the City as a whole.

Reporting the City of Delphos as a Whole

Statement of Net Position and the Statement of Activities

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

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2017?" 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, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

Reporting the City of Delphos's Most Significant Funds

Fund Financial Statements

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

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

Proprietary Funds The City maintains two types of proprietary funds, an internal service fund and enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various departments. The City uses an internal service fund to account for the employee premium contributions for dental and vision as well as the City's contribution to the employee's HRA accounts. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. There are three major funds in the business-type funds, water, sewer and sanitation funds.

The City of Delphos as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	Restated 2016	2017	Restated 2016	2017	Restated 2016
Assets						
Current and Other Assets	\$ 4,867,340	\$ 4,457,755	\$ 3,935,824	\$ 2,273,076	\$ 8,803,164	\$ 6,730,831
Capital Assets	3,136,786	2,429,554	44,674,022	44,226,408	47,810,808	46,655,962
<i>Total Assets</i>	<u>8,004,126</u>	<u>6,887,309</u>	<u>48,609,846</u>	<u>46,499,484</u>	<u>56,613,972</u>	<u>53,386,793</u>
Deferred Outflows of Resources						
Pension	1,125,001	804,414	374,965	285,179	1,499,966	1,089,593
Liabilities						
Current and Other Liabilities	245,850	243,006	1,116,634	298,156	1,362,484	541,162
Long-Term Liabilities:						
Due within One Year	97,042	115,098	2,969,834	2,823,071	3,066,876	2,938,169
Due in More Than One Year:						
Net Pension Liability	3,485,127	2,870,020	957,590	728,163	4,442,717	3,598,183
Other Amounts	384,858	447,001	28,604,231	29,372,737	28,989,089	29,819,738
<i>Total Liabilities</i>	<u>4,212,877</u>	<u>3,675,125</u>	<u>33,648,289</u>	<u>33,222,127</u>	<u>37,861,166</u>	<u>36,897,252</u>
Deferred Inflows of Resources						
Property Taxes	412,411	389,645	0	0	412,411	389,645
Pension	122,610	156,876	7,444	14,070	130,054	170,946
<i>Total Deferred Inflows of Resources</i>	<u>535,021</u>	<u>546,521</u>	<u>7,444</u>	<u>14,070</u>	<u>542,465</u>	<u>560,591</u>
Net Position						
Net Investment in Capital Assets	3,133,601	2,418,867	13,293,506	12,659,487	16,427,107	15,078,354
Restricted	1,185,448	1,398,984	0	0	1,185,448	1,398,984
Unrestricted	62,180	(347,774)	2,035,572	888,979	2,097,752	541,205
<i>Total Net Position</i>	<u>\$ 4,381,229</u>	<u>\$ 3,470,077</u>	<u>\$ 15,329,078</u>	<u>\$ 13,548,466</u>	<u>\$ 19,710,307</u>	<u>\$ 17,018,543</u>

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

Under the standards required by GASB Statement No. 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension asset/liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB Statement No. 68, the City is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation, along with other adjustments, also had the effect of restating net position at December 31, 2016.

City of Delphos
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Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

At year end, capital assets represented 84 percent of total assets. Capital assets include land, buildings, land improvements, equipment, vehicles, infrastructure and construction in progress. Net investment in capital assets were \$16,427,107 at December 31, 2017, with \$3,133,601 in governmental activities and \$13,293,506 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, \$1,185,448 or 6 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$2,097,752 may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other assets for the City increased due to an increase in cash and cash equivalents, as revenues outpaced expenditures in 2017. Capital assets for the governmental activities shows a large increase which was primarily caused by the purchase of a new pumper truck for the fire department and the addition of the Splash Pad at the park. The increase in current and other liabilities in the business-type activities was primarily a result of an increase in contracts payable for the wastewater treatment plant improvement project.

Deferred outflows for pension and long-term liabilities for pension saw large increases due to changes in net pension liability during 2017.

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City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

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 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	Restated 2016	2017	Restated 2016	2017	Restated 2016
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 784,530	\$ 603,029	\$ 5,374,913	\$ 4,996,432	\$ 6,159,443	\$ 5,599,461
Operating Grants	633,261	347,753	27,707	0	660,968	347,753
Capital Grants	735,364	27,255	0	0	735,364	27,255
<i>General Revenues:</i>						
Property Taxes	413,262	398,585	0	0	413,262	398,585
Income Taxes	3,169,878	3,798,783	0	0	3,169,878	3,798,783
Grants and Entitlements	226,449	277,550	0	0	226,449	277,550
Gain on Sale of Capital Assets	0	0	53,738	0	53,738	0
Investment Earnings	5,255	4,169	0	0	5,255	4,169
Miscellaneous	23,875	1,534	7,825	109,186	31,700	110,720
<i>Total Revenues</i>	<u>5,991,874</u>	<u>5,458,658</u>	<u>5,464,183</u>	<u>5,105,618</u>	<u>11,456,057</u>	<u>10,564,276</u>
Program Expenses						
General Government	356,078	372,281	0	0	356,078	372,281
Security of Persons and Property	2,213,194	2,061,138	0	0	2,213,194	2,061,138
Public Health	22,551	45,101	0	0	22,551	45,101
Leisure Time Services	705,044	599,951	0	0	705,044	599,951
Community Development	0	2,661	0	0	0	2,661
Basic Utility Service	0	0	0	0	0	0
Transportation	678,000	475,924	0	0	678,000	475,924
Interest and Fiscal Charges	855	0	0	0	855	0
<i>Enterprise Operations:</i>						
Water	0	0	2,047,270	2,071,727	2,047,270	2,071,727
Sewer	0	0	2,250,858	2,016,931	2,250,858	2,016,931
Sanitation	0	0	490,443	523,233	490,443	523,233
<i>Total Program Expenses</i>	<u>3,975,722</u>	<u>3,557,056</u>	<u>4,788,571</u>	<u>4,611,891</u>	<u>8,764,293</u>	<u>8,168,947</u>
<i>Increase (Decrease) in Net Position</i>	2,016,152	1,901,602	675,612	493,727	2,691,764	2,395,329
Transfers	(1,105,000)	(1,330,000)	1,105,000	1,330,000	0	0
<i>Change in Net Position</i>	911,152	571,602	1,780,612	1,823,727	2,691,764	2,395,329
<i>Net Position Beginning of Year</i>	<u>3,470,077</u>	<u>2,898,475</u>	<u>13,548,466</u>	<u>11,724,739</u>	<u>17,018,543</u>	<u>14,623,214</u>
<i>Net Position End of Year</i>	<u>\$ 4,381,229</u>	<u>\$ 3,470,077</u>	<u>\$ 15,329,078</u>	<u>\$ 13,548,466</u>	<u>\$ 19,710,307</u>	<u>\$ 17,018,543</u>

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

Governmental Activities

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

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.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$2,213,194 represents 56 percent of the total governmental activities expenses. The police and fire departments operate primarily out of the General fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$678,000, or 17 percent of total governmental activities expenses, during 2017.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$727,595 in 2017 equaling 18 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2017, charges for services of \$5,374,913 accounted for 98 percent of the business type revenues. The total expenses for the utilities were \$4,788,571, thus leaving an increase in net position of \$1,780,612 for the business-type activities (after transfers totaling \$1,105,000 from the general fund and the income tax fund).

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2017 was an increase of \$437,489, as revenues continued to outpace expenditures and transfers out.

The fund balance of the income tax fund decreased by \$17,965 due to timing differences between income tax collections versus expenditures and transfers out to other City funds.

The fund balance of the park fund decreased by \$19,276 due to a decrease in income tax revenue in 2017.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

Proprietary Funds

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

Unrestricted net position of the water fund, sewer fund and sanitation fund at the end of the year amounted to \$130,230, \$1,873,587 and \$31,755 respectively. The total growth in net position for the water fund was \$408,905 and \$1,336,537 for the sewer fund, while the sanitation fund saw an increase of \$35,170. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2017, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue was \$3,271,725, which was \$205,180 less than the final budget estimate of \$3,476,905.

Final expenditure appropriations of \$4,565,770 were \$2,539,386 more than actual expenditures of \$2,026,384, as the City recognized cost savings in 2017.

Final estimated expenditure appropriations were \$600,000 higher than original budget estimates.

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, 2017 (Continued)
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2017, the City had \$47,810,808 invested in capital assets. A total of \$3,136,786 of this was for governmental activities and \$44,674,022 being attributable to business-type activities. Table 3 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 476,660	\$ 476,660	\$ 889,207	\$ 889,207	\$ 1,365,867	\$ 1,365,867
Buildings	424,696	472,694	27,075,657	27,785,100	27,500,353	28,257,794
Land improvements	1,361,384	1,100,036	3,318,392	3,420,474	4,679,776	4,520,510
Vehicles	160,527	162,230	22,346	32,082	182,873	194,312
Equipment	610,606	217,934	2,247,889	1,811,392	2,858,495	2,029,326
Infrastructure	0	0	8,208,073	8,471,460	8,208,073	8,471,460
Construction in Progress	102,913	0	2,912,458	1,816,693	3,015,371	1,816,693
<i>Total</i>	<u>\$ 3,136,786</u>	<u>\$ 2,429,554</u>	<u>\$ 44,674,022</u>	<u>\$ 44,226,408</u>	<u>\$ 47,810,808</u>	<u>\$ 46,655,962</u>

The \$1,154,846 increase in capital assets was attributable to current year additional purchases exceeding depreciation and disposals. Governmental activities increased \$707,232, primarily due to the City purchasing a new pumper truck and splash pad. The \$447,614 increase in capital assets of business-type activities is due to increased construction in progress for the wastewater plant improvement project and the purchase of a Vactor sewer cleaner. See Note 8 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2017 was \$31,265,233. See Notes 13 and 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 0	\$ 0	\$ 612,654	\$ 841,080	\$ 612,654	\$ 841,080
OPWC Loans	0	0	1,419,015	1,082,404	1,419,015	1,082,404
OWDA Loans	0	0	28,951,967	29,972,583	28,951,967	29,972,583
Capital Lease	0	10,685	281,597	0	281,597	10,685
<i>Total</i>	<u>\$ 0</u>	<u>\$ 10,685</u>	<u>\$ 31,265,233</u>	<u>\$ 31,896,067</u>	<u>\$ 31,265,233</u>	<u>\$ 31,906,752</u>

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017 (Continued)
(Unaudited)

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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,928,348	\$ 2,886,981	\$ 5,815,329
Accounts Receivable	167,643	1,128,779	1,296,422
Intergovernmental Receivable	284,008	0	284,008
Property Taxes Receivable	421,456	0	421,456
Income Taxes Receivable	943,803	0	943,803
Internal Balances	100,000	(100,000)	0
Prepaid Items	22,082	20,064	42,146
Non-Depreciable Capital Assets	579,573	3,801,665	4,381,238
Depreciable Capital Assets, Net	2,557,213	40,872,357	43,429,570
<i>Total Assets</i>	<u>8,004,126</u>	<u>48,609,846</u>	<u>56,613,972</u>
Deferred Outflows of Resources			
Pension	1,125,001	374,965	1,499,966
Liabilities			
Accounts Payable	140,333	183,482	323,815
Accrued Wages	63,265	23,555	86,820
Contracts Payable	3,185	753,924	757,109
Retainage Payable	0	75,807	75,807
Intergovernmental Payable	34,209	10,000	44,209
Accrued Interest Payable	0	69,866	69,866
Claims Payable	4,858	0	4,858
Long-Term Liabilities:			
Due Within One Year	97,042	2,969,834	3,066,876
Due In More Than One Year:			
Net Pension Liability (See Note 9)	3,485,127	957,590	4,442,717
Other Amounts Due in More Than One Year	384,858	28,604,231	28,989,089
<i>Total Liabilities</i>	<u>4,212,877</u>	<u>33,648,289</u>	<u>37,861,166</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	412,411	0	412,411
Pension	122,610	7,444	130,054
<i>Total Deferred Inflows of Resources</i>	<u>535,021</u>	<u>7,444</u>	<u>542,465</u>
Net Position			
Net Investment in Capital Assets	3,133,601	13,293,506	16,427,107
Restricted for Capital Outlay	218,021	0	218,021
Restricted for Public Safety	309,511	0	309,511
Restricted for Street	418,324	0	418,324
Restricted for Economic Development	3,389	0	3,389
Restricted for Other Purposes	236,203	0	236,203
Unrestricted	62,180	2,035,572	2,097,752
<i>Total Net Position</i>	<u>\$ 4,381,229</u>	<u>\$ 15,329,078</u>	<u>\$ 19,710,307</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	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	\$ 356,078	\$ 289,557	\$ 0	\$ 0	\$ (66,521)	\$ 0	\$ (66,521)
Security of Persons and Property	2,213,194	396,295	291,039	381,905	(1,143,955)	0	(1,143,955)
Public Health	22,551	0	0	0	(22,551)	0	(22,551)
Leisure Time Services	705,044	98,678	0	353,459	(252,907)	0	(252,907)
Transportation	678,000	0	342,222	0	(335,778)	0	(335,778)
Interest and Fiscal Charges	855	0	0	0	(855)	0	(855)
<i>Total Governmental Activities</i>	<u>3,975,722</u>	<u>784,530</u>	<u>633,261</u>	<u>735,364</u>	<u>(1,822,567)</u>	<u>0</u>	<u>(1,822,567)</u>
Business-Type Activities							
Water	2,047,270	2,422,896	27,707	0	0	403,333	403,333
Sewer	2,250,858	2,426,404	0	0	0	175,546	175,546
Sanitation	490,443	525,613	0	0	0	35,170	35,170
<i>Total Business-Type Activities</i>	<u>4,788,571</u>	<u>5,374,913</u>	<u>27,707</u>	<u>0</u>	<u>0</u>	<u>614,049</u>	<u>614,049</u>
<i>Total Primary Government</i>	<u>\$ 8,764,293</u>	<u>\$ 6,159,443</u>	<u>\$ 660,968</u>	<u>\$ 735,364</u>	<u>(1,822,567)</u>	<u>614,049</u>	<u>(1,208,518)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					356,408	0	356,408
Police and Fire Pension					56,854	0	56,854
Income Taxes Levied for:							
General Purposes					1,823,759	0	1,823,759
Capital Projects					952,035	0	952,035
Parks and Recreation					394,084	0	394,084
Grants and Entitlements not Restricted to Specific Programs					226,449	0	226,449
Gain on Sale of Capital Assets					0	53,738	53,738
Investment Earnings					5,255	0	5,255
Miscellaneous					23,875	7,825	31,700
<i>Total General Revenues</i>					<u>3,838,719</u>	<u>61,563</u>	<u>3,900,282</u>
Transfers					(1,105,000)	1,105,000	0
<i>Change in Net Position</i>					<u>911,152</u>	<u>1,780,612</u>	<u>2,691,764</u>
<i>Net Position Beginning of Year - Restated, See Note 2</i>					<u>3,470,077</u>	<u>13,548,466</u>	<u>17,018,543</u>
<i>Net Position End of Year</i>					<u>\$ 4,381,229</u>	<u>\$ 15,329,078</u>	<u>\$ 19,710,307</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Income Tax Fund	Park Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,631,529	\$ 199,386	\$ 135,977	\$ 852,156	\$ 2,819,048
Accounts Receivable	167,643	0	0	0	167,643
Intergovernmental Receivable	112,812	0	0	171,196	284,008
Property Taxes Receivable	362,886	0	0	58,570	421,456
Income Taxes Receivable	604,861	190,380	148,562	0	943,803
Interfund Receivable	100,000	0	0	0	100,000
Prepaid Items	11,949	0	3,260	6,873	22,082
<i>Total Assets</i>	<u>\$ 2,991,680</u>	<u>\$ 389,766</u>	<u>\$ 287,799</u>	<u>\$ 1,088,795</u>	<u>\$ 4,758,040</u>
Liabilities					
Accounts Payable	\$ 61,503	\$ 66,632	\$ 3,437	\$ 8,761	\$ 140,333
Accrued Wages	52,068	1,586	4,145	5,466	63,265
Contracts Payable	0	0	0	3,185	3,185
Intergovernmental Payable	3,448	688	1,775	28,298	34,209
<i>Total Liabilities</i>	<u>117,019</u>	<u>68,906</u>	<u>9,357</u>	<u>45,710</u>	<u>240,992</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	355,091	0	0	57,320	412,411
Unavailable Revenue	564,806	66,002	88,518	116,585	835,911
<i>Total Deferred Inflows of Resources</i>	<u>919,897</u>	<u>66,002</u>	<u>88,518</u>	<u>173,905</u>	<u>1,248,322</u>
Fund Balances					
Nonspendable	15,016	0	3,260	6,873	25,149
Restricted	0	0	186,664	843,593	1,030,257
Committed	0	254,858	0	18,714	273,572
Assigned	1,619,034	0	0	0	1,619,034
Unassigned	320,714	0	0	0	320,714
<i>Total Fund Balances</i>	<u>1,954,764</u>	<u>254,858</u>	<u>189,924</u>	<u>869,180</u>	<u>3,268,726</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,991,680</u>	<u>\$ 389,766</u>	<u>\$ 287,799</u>	<u>\$ 1,088,795</u>	<u>\$ 4,758,040</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
For the Year Ended December 31, 2017

Total Governmental Fund Balances		\$ 3,268,726
 <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.		3,136,786
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 9,045	
Income Tax	514,915	
Intergovernmental	202,892	
Charges for Services	<u>109,059</u>	835,911
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.		104,442
The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	1,125,001	
Deferred Inflows - Pension	(122,610)	
Net Pension Liability	<u>(3,485,127)</u>	(2,482,736)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences		<u>(481,900)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 4,381,229</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, 2017

	General Fund	Income Tax Fund	Park Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 354,570	\$ 0	\$ 0	\$ 56,555	\$ 411,125
Income Taxes	2,047,847	1,046,573	449,123	0	3,543,543
Charges for Services	599,537	0	0	0	599,537
Licenses and Permits	54,914	0	0	900	55,814
Fines and Forfeitures	0	0	0	940	940
Intergovernmental	196,523	0	122,500	958,762	1,277,785
Interest	5,255	0	0	0	5,255
Rent	21,315	0	0	0	21,315
Contributions and Donations	0	0	131,334	50,349	181,683
Other	16,745	489	1,941	1,140	20,315
<i>Total Revenues</i>	<u>3,296,706</u>	<u>1,047,062</u>	<u>704,898</u>	<u>1,068,646</u>	<u>6,117,312</u>
Expenditures					
Current:					
General Government	190,455	160,027	0	0	350,482
Security of Persons and Property	1,619,066	0	0	504,337	2,123,403
Public Health	22,551	0	0	0	22,551
Leisure Time Services	829	0	525,840	0	526,669
Transportation	162,439	0	0	432,169	594,608
Capital Outlay	0	0	248,334	497,754	746,088
Debt Service:					
Principal Retirement	10,685	0	0	0	10,685
Interest and Fiscal Charges	855	0	0	0	855
<i>Total Expenditures</i>	<u>2,006,880</u>	<u>160,027</u>	<u>774,174</u>	<u>1,434,260</u>	<u>4,375,341</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,289,826</u>	<u>887,035</u>	<u>(69,276)</u>	<u>(365,614)</u>	<u>1,741,971</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	2,663	0	0	0	2,663
Transfers In	0	0	50,000	705,000	755,000
Transfers Out	(855,000)	(905,000)	0	(100,000)	(1,860,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(852,337)</u>	<u>(905,000)</u>	<u>50,000</u>	<u>605,000</u>	<u>(1,102,337)</u>
<i>Net Change in Fund Balance</i>	437,489	(17,965)	(19,276)	239,386	639,634
<i>Fund Balance Beginning of Year - Restated, See Note 2</i>	<u>1,517,275</u>	<u>272,823</u>	<u>209,200</u>	<u>629,794</u>	<u>2,629,092</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,954,764</u>	<u>\$ 254,858</u>	<u>\$ 189,924</u>	<u>\$ 869,180</u>	<u>\$ 3,268,726</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, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$	639,634
 <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	\$ 969,375	
Current Year Depreciation	<u>(248,762)</u>	720,613
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(13,381)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	2,139	
Income Tax	(373,666)	
Intergovernmental	34,039	
Charges for Services	<u>106,925</u>	(230,563)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Lease		10,685
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		287,301
 Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(547,555)
 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.		
		(25,096)
 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>69,514</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>911,152</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, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 373,000	\$ 373,000	\$ 354,570	\$ (18,430)
Income Taxes	1,900,000	1,900,000	2,019,791	119,791
Charges for Services	512,000	512,000	604,352	92,352
Licenses and Permits	59,000	59,000	54,871	(4,129)
Intergovernmental	608,905	608,905	192,359	(416,546)
Interest	3,000	3,000	5,255	2,255
Rent	18,000	18,000	21,315	3,315
Other	3,000	3,000	19,212	16,212
<i>Total Revenues</i>	<u>3,476,905</u>	<u>3,476,905</u>	<u>3,271,725</u>	<u>(205,180)</u>
Expenditures				
Current:				
General Government	1,457,502	1,957,502	209,843	1,747,659
Security of Persons and Property	2,262,177	2,362,177	1,642,167	720,010
Public Health	46,000	46,000	22,551	23,449
Transportation	188,551	188,551	140,283	48,268
Debt Service:				
Principal Retirement	10,685	10,685	10,685	0
Interest and Fiscal Charges	855	855	855	0
<i>Total Expenditures</i>	<u>3,965,770</u>	<u>4,565,770</u>	<u>2,026,384</u>	<u>2,539,386</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(488,865)</u>	<u>(1,088,865)</u>	<u>1,245,341</u>	<u>2,334,206</u>
Other Financing Sources (Uses)				
Advances Out	(100,000)	(100,000)	(100,000)	0
Transfers Out	(740,000)	(740,000)	(855,000)	(115,000)
<i>Net Change in Fund Balance</i>	(1,328,865)	(1,928,865)	290,341	2,219,206
<i>Fund Balance Beginning of Year</i>	1,323,184	1,323,184	1,323,184	0
Prior Year Encumbrances Appropriated	6,304	6,304	6,304	0
<i>Fund Balance End of Year</i>	<u>\$ 623</u>	<u>\$ (599,377)</u>	<u>\$ 1,619,829</u>	<u>\$ 2,219,206</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, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Income Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,032,298	\$ 32,298
Other	0	0	489	489
<i>Total Revenues</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,032,787</u>	<u>32,787</u>
Expenditures				
Current:				
General Government	249,337	265,972	155,919	110,053
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>750,663</u>	<u>734,028</u>	<u>876,868</u>	<u>142,840</u>
Other Financing Sources (Uses)				
Transfers Out	(978,000)	(1,061,365)	(905,000)	156,365
<i>Net Change in Fund Balance</i>	(227,337)	(327,337)	(28,132)	299,205
<i>Fund Balance Beginning of Year</i>	225,436	225,436	225,436	0
Prior Year Encumbrances Appropriated	1,906	1,906	1,906	0
<i>Fund Balance End of Year</i>	<u>\$ 5</u>	<u>\$ (99,995)</u>	<u>\$ 199,210</u>	<u>\$ 299,205</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Income Taxes	\$ 250,000	\$ 250,000	\$ 442,232	\$ 192,232
Intergovernmental	125,000	125,000	122,500	(2,500)
Contributions and Donations	135,000	135,000	131,334	(3,666)
Other	0	0	1,941	1,941
<i>Total Revenues</i>	<u>510,000</u>	<u>510,000</u>	<u>698,007</u>	<u>188,007</u>
Expenditures				
Current:				
Leisure Time Services	423,398	523,398	526,949	(3,551)
Capital Outlay	248,334	248,334	248,334	0
<i>Total Expenditures</i>	<u>671,732</u>	<u>771,732</u>	<u>775,283</u>	<u>(3,551)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	50,000	50,000
<i>Net Change in Fund Balance</i>	(161,732)	(261,732)	(27,276)	234,456
<i>Fund Balance Beginning of Year</i>	160,853	160,853	160,853	0
Prior Year Encumbrances Appropriated	879	879	879	0
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ (100,000)</u>	<u>\$ 134,456</u>	<u>\$ 234,456</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 786,515	\$ 2,043,922	\$ 56,544	\$ 2,886,981	\$ 109,300
Accounts Receivable	480,091	546,755	101,933	1,128,779	0
Prepaid Items	7,100	12,964	0	20,064	0
<i>Total Current Assets</i>	<u>1,273,706</u>	<u>2,603,641</u>	<u>158,477</u>	<u>4,035,824</u>	<u>109,300</u>
<i>Non-Current Assets:</i>					
Non-Depreciable Capital Assets	15,264	3,786,401	0	3,801,665	0
Depreciable Capital Assets, Net	18,965,697	21,888,749	17,911	40,872,357	0
<i>Total Non-Current Assets</i>	<u>18,980,961</u>	<u>25,675,150</u>	<u>17,911</u>	<u>44,674,022</u>	<u>0</u>
<i>Total Assets</i>	<u>20,254,667</u>	<u>28,278,791</u>	<u>176,388</u>	<u>48,709,846</u>	<u>109,300</u>
Deferred Outflows of Resources					
Pension	183,252	184,413	7,300	374,965	0
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	17,253	53,527	112,702	183,482	0
Accrued Wages	11,634	11,442	479	23,555	0
Contracts Payable	0	753,924	0	753,924	0
Retainage Payable	0	75,807	0	75,807	0
Intergovernmental Payable	4,930	4,861	209	10,000	0
Accrued Interest Payable	14,203	55,663	0	69,866	0
Claims Payable	0	0	0	0	4,858
Interfund Payable	0	100,000	0	100,000	0
Compensated Absences Payable	26,012	48,576	0	74,588	0
Capital Leases Payable	0	67,360	0	67,360	0
OPWC Loans Payable	52,411	32,000	0	84,411	0
OWDA Loans Payable	834,592	1,671,125	0	2,505,717	0
General Obligation Bonds Payable	237,758	0	0	237,758	0
<i>Total Current Liabilities</i>	<u>1,198,793</u>	<u>2,874,285</u>	<u>113,390</u>	<u>4,186,468</u>	<u>4,858</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	66,047	168,197	0	234,244	0
Capital Leases Payable - Net of Current Portion	0	214,237	0	214,237	0
OPWC Loans Payable - Net of Current Portion	774,604	560,000	0	1,334,604	0
OWDA Loans Payable - Net of Current Portion	9,219,109	17,227,141	0	26,446,250	0
General Obligation Bonds Payable - Net of Current Portion	374,896	0	0	374,896	0
Net Pension Liability	469,407	469,407	18,776	957,590	0
<i>Total Long-Term Liabilities</i>	<u>10,904,063</u>	<u>18,638,982</u>	<u>18,776</u>	<u>29,561,821</u>	<u>0</u>
<i>Total Liabilities</i>	<u>12,102,856</u>	<u>21,513,267</u>	<u>132,166</u>	<u>33,748,289</u>	<u>4,858</u>
Deferred Inflows of Resources					
Pension	2,794	2,794	1,856	7,444	0
Net Position					
Net Investment in Capital Assets	8,202,039	5,073,556	17,911	13,293,506	0
Unrestricted	130,230	1,873,587	31,755	2,035,572	104,442
<i>Total Net Position</i>	<u>\$ 8,332,269</u>	<u>\$ 6,947,143</u>	<u>\$ 49,666</u>	<u>\$ 15,329,078</u>	<u>\$ 104,442</u>

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
December 31, 2017

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Totals	
Operating Revenues					
Charges for Services	\$ 2,418,066	\$ 2,426,004	\$ 525,613	\$ 5,369,683	\$ 118,635
Tap-In Fees	4,830	400	0	5,230	0
Other	4,572	3,253	0	7,825	0
<i>Total Operating Revenues</i>	<u>2,427,468</u>	<u>2,429,657</u>	<u>525,613</u>	<u>5,382,738</u>	<u>118,635</u>
Operating Expenses					
Personal Services	479,588	522,717	24,593	1,026,898	0
Contractual Services	219,281	740,264	452,724	1,412,269	54,375
Materials and Supplies	533,396	180,654	5,665	719,715	0
Claims	0	0	0	0	89,356
Depreciation	558,842	751,560	7,461	1,317,863	0
<i>Total Operating Expenses</i>	<u>1,791,107</u>	<u>2,195,195</u>	<u>490,443</u>	<u>4,476,745</u>	<u>143,731</u>
<i>Operating Income (Loss)</i>	<u>636,361</u>	<u>234,462</u>	<u>35,170</u>	<u>905,993</u>	<u>(25,096)</u>
Non-Operating Revenues (Expense)					
Operating Grants	27,707	0	0	27,707	0
Gain on Sale of Capital Assets	1,000	52,738	0	53,738	0
Interest and Fiscal Charges	(256,163)	(55,663)	0	(311,826)	0
<i>Total Non-Operating Revenues (Expense)</i>	<u>(227,456)</u>	<u>(2,925)</u>	<u>0</u>	<u>(230,381)</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	408,905	231,537	35,170	675,612	(25,096)
Transfers In	0	1,105,000	0	1,105,000	0
<i>Change in Net Position</i>	408,905	1,336,537	35,170	1,780,612	(25,096)
<i>Net Position Beginning of Year - Restated, See Note 2</i>	<u>7,923,364</u>	<u>5,610,606</u>	<u>14,496</u>	<u>13,548,466</u>	<u>129,538</u>
<i>Net Position End of Year</i>	<u>\$ 8,332,269</u>	<u>\$ 6,947,143</u>	<u>\$ 49,666</u>	<u>\$ 15,329,078</u>	<u>\$ 104,442</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Cash Flows
Proprietary Funds
December 31, 2017

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Totals	
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 2,519,332	\$ 2,551,563	\$ 555,850	\$ 5,626,745	\$ 118,635
Tap-In Fees	4,830	400	0	5,230	0
Cash Received from Other Operating Receipts	4,572	3,253	0	7,825	0
Cash Payments to Suppliers for Goods and Services	(540,485)	(185,368)	(5,660)	(731,513)	0
Cash Payments to Employees for Services and Benefits	(409,771)	(451,716)	(22,527)	(884,014)	0
Cash Payments for Contractual Services	(222,232)	(740,220)	(491,613)	(1,454,065)	(52,535)
Cash Payments for Claims	0	0	0	0	(89,356)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,356,246</u>	<u>1,177,912</u>	<u>36,050</u>	<u>2,570,208</u>	<u>(23,256)</u>
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	27,707	0	0	27,707	0
Proceeds of OPWC Loans	385,300	0	0	385,300	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>413,007</u>	<u>0</u>	<u>0</u>	<u>413,007</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities					
Sale of Assets	1,000	55,744	0	56,744	0
Proceeds of OWDA Loans	0	1,452,429	0	1,452,429	0
Acquisition of Capital Assets	(94,667)	(486,821)	0	(581,488)	0
Advances In	0	100,000	0	100,000	0
Transfers In	0	1,105,000	0	1,105,000	0
Principal Payments on Debt	(1,062,799)	(1,763,028)	0	(2,825,827)	0
Interest Payments on Debt	(258,141)	0	0	(258,141)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,414,607)</u>	<u>463,324</u>	<u>0</u>	<u>(951,283)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	354,646	1,641,236	36,050	2,031,932	(23,256)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>431,869</u>	<u>402,686</u>	<u>20,494</u>	<u>855,049</u>	<u>132,556</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 786,515</u>	<u>\$ 2,043,922</u>	<u>\$ 56,544</u>	<u>\$ 2,886,981</u>	<u>\$ 109,300</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ 636,361	\$ 234,462	\$ 35,170	\$ 905,993	\$ (25,096)
Adjustments:					
Depreciation	558,842	751,560	7,461	1,317,863	0
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	101,373	125,673	30,268	257,314	0
Prepaid Items	499	11,371	0	11,870	1,840
Deferred Outflows - Pension	(43,720)	(45,791)	(275)	(89,786)	0
Increase (Decrease) in Liabilities and Deferred Inflows:					
Accounts Payable	(10,646)	(16,155)	(38,915)	(65,716)	0
Accrued Wages	1,243	635	(5)	1,873	0
Compensated Absences Payable	4,454	4,637	0	9,091	0
Matured Compensated Absences Payable	(1,500)	0	0	(1,500)	0
Intergovernmental Payable	297	109	(1)	405	0
Deferred Inflows - Pension	(4,090)	(4,045)	1,509	(6,626)	0
Net Pension Liability	113,133	115,456	838	229,427	0
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,356,246</u>	<u>\$ 1,177,912</u>	<u>\$ 36,050</u>	<u>\$ 2,570,208</u>	<u>\$ (23,256)</u>

Noncash Capital Financing Activities:

The City purchased \$829,731 capital assets on account for the sewer fund in 2017.
The City entered into a capital lease for capital assets in the amount of \$357,264 during 2017.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017

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

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

B. Fund Accounting

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

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

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

Income Tax Fund Per City Ordinance, this fund receives 29% of the City's 1% unvoted 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 1% unvoted income tax levy. Administrative and maintenance costs of the park fund are paid from this fund.

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

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 the City.

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

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

Internal Service Fund The internal service fund accounts for the financing of 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 employee premium contributions for dental and vision 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, 2017

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 Inflows of Resources and Deferred Outflows 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. The deferred outflows of resources related to pension are explained in Note 9.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2017 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 includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9).

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 2017, 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 2017 amounted to \$5,255 which includes \$3,553 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, 2017, 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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 except. 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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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 short-term interfund loans are classified as "Interfund Receivables/Payables".

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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017. 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.

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 and net pension liability 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. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due. The unmaturing portion of these obligations should be reported as general long-term liabilities segregated between amounts due in one year and amounts due in more than one year.

K. Pensions

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

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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 2017.

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 fund/department level/personal services level for all 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.

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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. Implementation of New Accounting Principles

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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T. Restatement of Net Position/Fund Balance

For 2017, the City changed accounting principles from cash basis to GAAP basis. The implementation of the change in the basis of accounting had the following effects on net position and fund balance:

	Governmental Activities	Business-Type Activities	Total
Net Position, December 31, 2016	\$ 2,462,989	\$ 855,049	\$ 3,318,038
Add Accrual Adjustments:			
Accounts Receivable	65,490	1,386,093	1,451,583
Intergovernmental Receivable	241,777	0	241,777
Property Taxes Receivable	396,551	0	396,551
Income Taxes Receivable	1,268,247	0	1,268,247
Prepaid Items	22,701	31,934	54,635
Non-Depreciable Capital Assets	476,660	2,705,900	3,182,560
Depreciable Capital Assets	1,952,894	41,520,508	43,473,402
Deferred Outflows - Pension	804,414	285,179	1,089,593
Accounts Payable	(109,797)	(232,071)	(341,868)
Accrued Wages	(63,606)	(21,682)	(85,288)
Contracts Payable	0	(17,127)	(17,127)
Intergovernmental Payable	(50,323)	(9,595)	(59,918)
Accrued Interest Payable	0	(16,181)	(16,181)
Claims Payable	(4,858)	0	(4,858)
Matured Compensated Absences Payable	(14,422)	(1,500)	(15,922)
Long Term Liabilities:			
Due Within One Year	(115,098)	(2,823,071)	(2,938,169)
Due In More Than One Year:			
Net Pension Liability	(2,870,020)	(728,163)	(3,598,183)
Other Amounts Due in More Than One Year	(447,001)	(29,372,737)	(29,819,738)
Deferred Inflows - Property Taxes	(389,645)	0	(389,645)
Deferred Inflows - Pension	(156,876)	(14,070)	(170,946)
Adjusted Net Position, January 1, 2017	<u>\$ 3,470,077</u>	<u>\$ 13,548,466</u>	<u>\$ 17,018,543</u>

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	General Fund	Income Tax Fund	Park Fund	Nonmajor Governmental Funds	Total
Fund Balances, December 31, 2016	\$ 1,339,067	\$ 227,342	\$ 161,732	\$ 602,292	\$ 2,330,433
Add Modified Accrual Adjustments:					
Accounts Receivable	65,490	0	0	0	65,490
Intergovernmental Receivable	80,664	0	0	161,113	241,777
Property Taxes Receivable	342,097	0	0	54,454	396,551
Income Taxes Receivable	800,893	270,644	196,710	0	1,268,247
Prepaid Items	16,080	0	2,615	2,166	20,861
Accounts Payable	(41,020)	(62,394)	(2,856)	(3,527)	(109,797)
Accrued Wages	(53,509)	(1,554)	(3,779)	(4,764)	(63,606)
Intergovernmental Payable	(29,778)	(674)	(1,665)	(18,206)	(50,323)
Matured Compensated Absences Payable	(14,422)	0	0	0	(14,422)
Deferred Inflows-Property Taxes	(336,141)	0	0	(53,504)	(389,645)
Deferred Inflows-Unavailable Revenue	(652,146)	(160,541)	(143,557)	(110,230)	(1,066,474)
Adjusted Fund Balances, January 1, 2017	<u>\$ 1,517,275</u>	<u>\$ 272,823</u>	<u>\$ 209,200</u>	<u>\$ 629,794</u>	<u>\$ 2,629,092</u>

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Net Position, December 31, 2016	\$ 431,869	\$ 402,686	\$ 20,494	\$ 855,049	\$ 132,556
Add Accrual Adjustments:					
Accounts Receivable	581,464	672,428	132,201	1,386,093	0
Prepaid Items	7,599	24,335	0	31,934	1,840
Non-Depreciable Capital Assets	15,264	2,690,636	0	2,705,900	0
Depreciable Capital Assets	19,429,872	22,065,264	25,372	41,520,508	0
Deferred Outflows - Pension	139,532	138,622	7,025	285,179	0
Accounts Payable	(27,899)	(52,702)	(151,470)	(232,071)	0
Accrued Wages	(10,391)	(10,807)	(484)	(21,682)	0
Contracts Payable	0	(16,980)	(147)	(17,127)	0
Intergovernmental Payable	(4,633)	(4,752)	(210)	(9,595)	0
Claims Payable	0	0	0	0	(4,858)
Matured Compensated Absences Payable	(1,500)	0	0	(1,500)	0
Accrued Interest Payable	(16,181)	0	0	(16,181)	0
Compensated Absences Payable	(87,605)	(212,136)	0	(299,741)	0
OPWC Loans Payable	(458,404)	(624,000)	0	(1,082,404)	0
OWDA Loans Payable	(10,871,385)	(19,101,198)	0	(29,972,583)	0
General Obligation Bonds Payable	(841,080)	0	0	(841,080)	0
Net Pension Liability	(356,274)	(353,951)	(17,938)	(728,163)	0
Deferred Inflows - Pension	(6,884)	(6,839)	(347)	(14,070)	0
Adjusted Net Position, January 1, 2017	<u>\$ 7,923,364</u>	<u>\$ 5,610,606</u>	<u>\$ 14,496</u>	<u>\$ 13,548,466</u>	<u>\$ 129,538</u>

City of Delphos
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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 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, income tax and park funds.

Net Change in Fund Balance

	General	Income Tax	Park Fund
GAAP Basis	\$ 437,489	\$ (17,965)	\$ (19,276)
Net Adjustment for Revenue Accruals	(27,448)	(14,275)	(6,891)
Net Adjustment for Expenditure Accruals	(117,579)	4,284	412
Funds Budgeted Elsewhere *	6,512	0	0
Adjustment for Encumbrances	(8,633)	(176)	(1,521)
Budget Basis	\$ 290,341	\$ (28,132)	\$ (27,276)

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

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NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guarantee as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;
5. Bond and other obligations of the State of Ohio;
6. 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;

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7. The State Treasurer's Investment Pool (STAR Ohio).
8. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed 40% of the interim monies available for investment at any one time; and
9. 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.

According to State law, uninsured public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2017, the City and public depositories complied with the provisions of these statutes.

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 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes were levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

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The full tax rate for all City operations for the year ended December 31, 2017, was \$6.75 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

	Allen County	Van Wert County
Real Property	\$ 101,713,880	\$ 9,978,280
Public Utilities - Real	3,300	1,530
Public Utilities - Personal	4,858,910	524,110
Total Assessed Value	\$ 106,576,090	\$ 10,503,920

The County Treasurer collects property taxes on behalf of all taxing districts within the County, 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, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 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 .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. Tax revenues amounted to \$3,543,543 in 2017. A new levy .25% was passed in 2014 with revenues going to the park fund. The remaining 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 remaining .5% of the income tax was voter approved for safety services.

NOTE 6: RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

City of Delphos
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Notes to the Basic Financial Statements
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NOTE 7: INTERFUND ACTIVITY

A. Interfund Transfers

Following is a summary of transfers in and out for all funds for 2017:

Transfer To	Transfer From			Total
	General	Income Tax	Nonmajor Governmental	
Park	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Nonmajor Governmental	605,000	0	100,000	705,000
Sewer Fund	200,000	905,000	0	1,105,000
<i>Total</i>	<u>\$ 855,000</u>	<u>\$ 905,000</u>	<u>\$ 100,000</u>	<u>\$ 1,860,000</u>

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 for debt payments on sewer system improvements. The transfer from Nonmajor Governmental funds to Nonmajor Governmental funds represented the local match for an ODOT grant.

B. Interfund Receivable/Payable

Interfund activity for the year ended December 31, 2017, consisted of an interfund advance from the general fund to the sewer fund in the amount of \$100,000. The interfund receivable and payable is a result of the general fund advancing money to the sewer fund to be used for engineering fees for the wastewater treatment plant improvement project. This will be repaid to the general fund once reimbursement is received from OWDA.

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For the Year Ended December 31, 2017

NOTE 8: CAPITAL ASSETS

Governmental activities capital asset activity for the fiscal year ended December 31, 2017 was as follows:

Governmental Activities	Beginning Balance 1/1/2017	Increases	Decreases	Ending Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 476,660	\$ 0	\$ 0	\$ 476,660
Construction in progress	0	102,913	0	102,913
Total capital assets, not being depreciated:	<u>476,660</u>	<u>102,913</u>	<u>0</u>	<u>579,573</u>
Capital assets, being depreciated:				
Buildings	1,461,581	0	0	1,461,581
Land improvements	2,197,654	354,618	0	2,552,272
Vehicles	1,827,803	67,355	(107,184)	1,787,974
Equipment	1,032,607	444,489	0	1,477,096
Total capital assets, being depreciated:	<u>6,519,645</u>	<u>866,462</u>	<u>(107,184)</u>	<u>7,278,923</u>
Less: accumulated depreciation				
Buildings	(988,887)	(47,998)	0	(1,036,885)
Land improvements	(1,097,618)	(93,270)	0	(1,190,888)
Vehicles	(1,665,573)	(55,677)	93,803	(1,627,447)
Equipment	(814,673)	(51,817)	0	(866,490)
Total accumulated depreciation	<u>(4,566,751)</u>	<u>(248,762)</u>	<u>93,803</u>	<u>(4,721,710)</u>
Total capital assets being depreciated, net	<u>1,952,894</u>	<u>617,700</u>	<u>(13,381)</u>	<u>2,557,213</u>
Governmental activities capital assets, net	<u>\$ 2,429,554</u>	<u>\$ 720,613</u>	<u>\$ (13,381)</u>	<u>\$ 3,136,786</u>

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

<u>Governmental Activities:</u>	
General government	\$ 6,134
Security of persons and property	85,120
Leisure time services	134,348
Transportation	23,160
Total Depreciation Expense	<u>\$ 248,762</u>

City of Delphos
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The business-type activities capital asset activity for the fiscal year ended December 31, 2017 was as follows:

Business-Type Activities	Beginning Balance 1/1/2017	Increases	Decreases	Ending Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 889,207	\$ 0	\$ 0	\$ 889,207
Construction in progress	1,816,693	1,095,765	0	2,912,458
Total capital assets, not being depreciated:	<u>2,705,900</u>	<u>1,095,765</u>	<u>0</u>	<u>3,801,665</u>
Capital assets, being depreciated:				
Buildings	36,334,981	0	0	36,334,981
Land improvements	4,462,442	0	0	4,462,442
Vehicles	727,201	0	(190,888)	536,313
Equipment	16,598,343	664,399	(7,516)	17,255,226
Infrastructure	14,556,725	8,319	0	14,565,044
Total capital assets, being depreciated:	<u>72,679,692</u>	<u>672,718</u>	<u>(198,404)</u>	<u>73,154,006</u>
Less: accumulated depreciation				
Buildings	(8,549,881)	(709,443)	0	(9,259,324)
Land improvements	(1,041,968)	(102,082)	0	(1,144,050)
Vehicles	(695,119)	(9,736)	190,888	(513,967)
Equipment	(14,786,951)	(224,896)	4,510	(15,007,337)
Infrastructure	(6,085,265)	(271,706)	0	(6,356,971)
Total accumulated depreciation	<u>(31,159,184)</u>	<u>(1,317,863)</u>	<u>195,398</u>	<u>(32,281,649)</u>
Total capital assets being depreciated, net	<u>41,520,508</u>	<u>(645,145)</u>	<u>(3,006)</u>	<u>40,872,357</u>
Business-type activities capital assets, net	<u>\$ 44,226,408</u>	<u>\$ 450,620</u>	<u>\$ (3,006)</u>	<u>\$ 44,674,022</u>

NOTE 9: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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For the Year Ended December 31, 2017

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 3 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 3 percent.

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

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$148,059 for 2017. Of this amount, \$8,614 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF 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 OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

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

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 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 OPF was \$214,753 for 2017. Of this amount, \$11,027 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.00826846%	0.04049800%	
Prior Measurement Period	0.00806400%	0.03422000%	
Change in Proportion	0.00020446%	0.00627800%	
 Proportionate Share of the Net			
Pension Liability	\$ 1,877,626	\$ 2,565,091	\$ 4,442,717
Pension Expense	\$ 413,179	\$ 342,902	\$ 756,081

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, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	OPERS	OPF	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 279,621	\$ 252,148	\$ 531,769
Differences between Expected and			
Actual Experience	2,545	726	3,271
Changes of Assumptions	297,814	0	297,814
Changes in Proportionate Share	20,650	283,650	304,300
City Contributions Subsequent			
to the Measurement Date	148,059	214,753	362,812
Total Deferred Outflows of Resources	<u>\$ 748,689</u>	<u>\$ 751,277</u>	<u>\$ 1,499,966</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 11,175	\$ 5,905	\$ 17,080
Changes in Proportionate Share	1,744	111,230	112,974
Total Deferred Inflows of Resources	<u>\$ 12,919</u>	<u>\$ 117,135</u>	<u>\$ 130,054</u>

\$362,812 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 in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2018	244,271	124,407	\$ 368,678
2019	251,526	124,407	375,933
2020	100,112	101,804	201,916
2021	(8,198)	12,746	4,548
2022	0	50,449	50,449
Thereafter	0	5,576	5,576
	<u>\$ 587,711</u>	<u>\$ 419,389</u>	<u>\$ 1,007,100</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
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)
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

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to 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 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 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 is 8.3 percent for 2016.

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 following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability:	\$ 2,868,492	\$ 1,877,626	\$ 1,051,913

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF'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.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.60 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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 OPF's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. 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 OPF's target asset allocation as of December 31, 2016, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Domestic Equity	16.00 %	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income*	20.00	1.67	2.37
Global Inflation Protected Securities*	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Real Assets	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

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OPF’s Board of Trustees has incorporated the risk parity concept into OPF’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 8.25 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 8.25 percent. Based on those assumptions, OPF’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 8.25 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 (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 3,416,413	\$ 2,565,091	\$ 1,843,606

Changes between Measurement Date and Report Date

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.00 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City’s net pension liability.

NOTE 10 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

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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 health care coverage, age-and-service retirees under the traditional and combined plans must have 20 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 No. 45. 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 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 post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the City’s contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$11,389, \$22,235, and \$20,936 respectively. For 2017, 94 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

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Ohio Police and Fire Pension Fund

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

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

The Ohio Revised Code allows, but does not mandate OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF (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 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015 were \$5,129, \$4,409 and \$3,574, respectively. 96 percent has been contributed for police and 94 percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

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NOTE 11: COMMITMENTS

Contractual Commitments

The City had the following contractual commitment outstanding at December 31, 2017.

	Contractual Commitment	Expended	Balance 12/31/2017
WWTP Improvements	\$ 2,286,231	\$ 253,098	\$ 2,033,133
ODOT Bridge Project	79,100	74,864	4,236
	\$ 2,365,331	\$ 327,962	\$ 2,037,369

NOTE 12: COMPENSATED ABSENCES

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. All full time employees shall be required to accumulate a total of 1,040 hours sick leave, after which an employee may elect one of the following options for current sick leave at the end of each calendar year: 1) Carry forward the balance. 2) Receive a cash benefit which equals one (1) hour base rate of pay for every two (2) hours of unused current sick leave. The cash benefit is not subject to contributions to any of the retirement systems. Employees earn vacation at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department and only with the Mayor's approval. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

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

As of December 31, 2017, the liability for unpaid compensated absences was \$790,732 for the entire City.

NOTE 13: LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the City during 2017 were as follows:

	Outstanding 1/1/2017	Additions	Deletions	Outstanding 12/31/2017	Amounts Due In One Year
Governmental activities:					
<i>Net Pension Liability:</i>					
OPERS	\$ 668,623	\$ 251,413	\$ 0	\$ 920,036	\$ 0
OPF	2,201,397	363,694	0	2,565,091	0
	2,870,020	615,107	0	3,485,127	0
Lease obligation	10,685	0	(10,685)	0	0
Compensated Absences	551,414	74,503	(144,017)	481,900	97,042
<i>Total Governmental Activities long-term liabilities</i>	\$ 3,432,119	\$ 689,610	\$ (154,702)	\$ 3,967,027	\$ 97,042

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	Outstanding 1/1/2017	Additions	Deletions	Outstanding 12/31/2017	Amounts Due In One Year
Business-Type activities:					
General Obligation Refunding Bonds:					
Water plant improvement, 3.25% -4.875%	\$ 841,080	\$ 0	\$ (228,426)	\$ 612,654	\$ 237,758
OWDA loans:					
2005 OWDA loan, .95%	19,101,198	0	(1,655,361)	17,445,837	1,671,124
2006 OWDA loan, 2.00%	9,768,469	0	(763,509)	9,004,960	778,855
2007 OWDA loan, 4.32%	669,003	0	(20,098)	648,905	20,975
2007 OWDA loan, 2.00%	382,548	0	(31,421)	351,127	32,052
2013 OWDA loan, 2.00%	51,365	0	(2,656)	48,709	2,711
2017 OWDA loan, 2.00%	0	1,452,429	0	1,452,429	0
<i>Total OWDA Loans</i>	<u>29,972,583</u>	<u>1,452,429</u>	<u>(2,473,045)</u>	<u>28,951,967</u>	<u>2,505,717</u>
OPWC Loans:					
1999 OPWC loan, 0%	23,675	0	(7,891)	15,784	7,891
2007 OPWC loan, 0%	105,581	0	(8,798)	96,783	8,798
2015 OPWC loan, 0%	624,000	0	(32,000)	592,000	32,000
2016 OPWC loan, 0%	329,148	385,300	0	714,448	35,722
<i>Total OPWC Loans</i>	<u>1,082,404</u>	<u>385,300</u>	<u>(48,689)</u>	<u>1,419,015</u>	<u>84,411</u>
<i>Net Pension Liability:</i>					
OPERS	728,163	229,427	0	957,590	0
Lease obligation	0	357,264	(75,667)	281,597	67,360
Compensated Absences	299,741	109,518	(100,427)	308,832	74,588
<i>Other Long-term Obligations:</i>	<u>299,741</u>	<u>466,782</u>	<u>(176,094)</u>	<u>590,429</u>	<u>141,948</u>
<i>Total business-type activities, long-term liabilities</i>	<u>\$ 32,923,971</u>	<u>\$ 2,533,938</u>	<u>\$ (2,926,254)</u>	<u>\$ 32,531,655</u>	<u>\$ 2,969,834</u>

The 2005, Ohio Water Development Authority (OWDA) loan was for construction of a new wastewater treatment plant. The full amount of the loan was \$32,843,045 and matures in the year 2028. The wastewater treatment plant was up and running in October 2007. Income taxes and revenue of the facilities charges will be pledged to repay the debt. The loan matures in the year 2028.

The 2006 and 2007 Ohio Water Development Authority (OWDA) loans were for construction of a new water treatment plant and reservoir. The loan amounts are \$15,294,870 and \$635,090 respectively. The wastewater treatment plant was up and running in October 2007. The City's water system revenues will be used for the principal repayment. Both loans mature in the year 2028.

The 2007 Ohio Water Development Authority (OWDA) loan was for the construction of an upground water reservoir tank. The full amount of the loan was \$789,208 and matures in the year 2037.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The 2013 Ohio Water Development Authority (OWDA) loan is for the construction of a waterline loop. Construction was started in 2013. The loan was approved for \$60,257. The City's water system revenues will be used for the principal repayment. This loan matures in the year 2033.

The 2017 Ohio Water Development Authority (OWDA) loan is for improvements to the wastewater treatment plant. Construction was started in 2017. The loan was approved for \$4,569,870, of which \$1,452,429 had been drawn down as of December 31, 2017. The City's sewer system revenues will be used for the principal repayment. There is no amortization table available at this time.

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. Construction was started in 2016. The full amount of the loan is \$714,448 and it matures in the year 2036. The City water system revenues will be used for the principal repayment.

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

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

The City has pledged future water and sewer revenues, net of specified operating expenses to repay \$30,370,982 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 126.85 percent. The total principal and interest remaining to be paid on the loans is \$31,767,336. Principal and interest paid for the current year and total net receipts were \$2,748,374 and \$2,208,932, respectively.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The annual requirements to amortize all bonded debt and loans as of December 31, 2017 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2018	\$ 237,758	\$ 22,168	\$ 2,505,717	\$ 211,858	\$ 84,411	\$ 2,827,886	\$ 234,026
2019	247,364	12,562	2,538,901	194,587	84,413	2,870,678	207,149
2020	127,532	2,569	2,572,604	176,950	76,521	2,776,657	179,519
2021	0	0	2,606,836	158,933	76,520	2,683,356	158,933
2022	0	0	2,641,609	140,531	76,521	2,718,130	140,531
2023-2027	0	0	13,749,280	412,523	382,602	14,131,882	412,523
2028-2032	0	0	665,495	74,315	347,411	1,012,906	74,315
2033-2037	0	0	219,096	26,657	290,616	509,712	26,657
Totals	<u>\$ 612,654</u>	<u>\$ 37,299</u>	<u>\$ 27,499,538</u>	<u>\$ 1,396,354</u>	<u>\$ 1,419,015</u>	<u>\$ 29,531,207</u>	<u>\$ 1,433,653</u>

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. Principal payments in the amount of \$75,667 were made during 2017. Lease payments are reflected as debt service payments in the basic financial statements for the governmental funds.

These assets have been capitalized in the business-type capital assets in the amount of \$357,264, the present value of the minimum lease payments at the inception of the lease. A corresponding liability was recorded on the Statement of Net Position and is reduced for each required principal payment. Accumulated depreciation was \$17,863 as of December 31, 2017, leaving a current book value of \$339,401.

The following is a schedule of the future long-term minimum lease payments required under lease and the present value of the minimum lease payments as of December 31, 2017:

	Business-Type Activities
Year ending December 31,	
2018	\$ 75,667
2019	75,667
2020	75,667
2021	<u>75,667</u>
	302,668
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(21,071)</u>
Present value of net minimum lease payments	<u>\$ 281,597</u>

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 and for dental and vision premium payments. The City maintains comprehensive insurance coverage with an independent party for employee benefits. The City also contributes an amount determined by Council for each full-time employee to this fund. This amount pays for the medical out-of-pocket disbursements for the employee up to the contribution of the City.

Changes in the fund's claims liability for 2017 and 2016 are as follows:

Liability Year	Beginning of Year Liability	Current Year Claims	Claim Payments	End of Year Liability
2017	\$ 4,858	\$ 89,356	\$ 89,356	\$ 4,858
2016	\$ 4,674	\$ 137,981	\$ 137,797	\$ 4,858

NOTE 16: CONTINGENCIES

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

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

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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

	General Fund	Income Tax	Park Fund	Other Governmental	Total
Nonspendable for:					
Prepays	\$ 11,949	\$ 0	\$ 3,260	\$ 6,873	\$ 22,082
Unclaimed Monies	3,067	0	0	0	3,067
Total Nonspendable	<u>15,016</u>	<u>0</u>	<u>3,260</u>	<u>6,873</u>	<u>25,149</u>
Restricted for:					
Capital Outlay	0	0	0	104,151	104,151
Street Maintenance	0	0	0	425,865	425,865
Public Safety	0	0	0	310,188	310,188
Economic Development	0	0	0	3,389	3,389
Parks and Recreation	0	0	186,664	0	186,664
Total Restricted	<u>0</u>	<u>0</u>	<u>186,664</u>	<u>843,593</u>	<u>1,030,257</u>
Committed for:					
Income Tax	0	254,858	0	0	254,858
Guaranteed Street Bond	0	0	0	18,714	18,714
Total Committed	<u>0</u>	<u>254,858</u>	<u>0</u>	<u>18,714</u>	<u>273,572</u>
Assigned for:					
Subsequent Year Appropriations	<u>1,619,034</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,619,034</u>
Unassigned	<u>320,714</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>320,714</u>
Total Fund Balance	<u>\$ 1,954,764</u>	<u>\$ 254,858</u>	<u>\$ 189,924</u>	<u>\$ 869,180</u>	<u>\$ 3,268,726</u>

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

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
Ohio Public Employees' Retirement System (OPERS)							
City's Proportion of the Net Pension Liability	0.0082685%		0.0080640%		0.0080280%		0.0080280%
City's Proportionate Share of the Net Pension Liability	\$ 1,877,626	\$	1,396,786	\$	968,267	\$	946,397
City's Covered Payroll	\$ 1,111,750	\$	1,003,625	\$	1,032,858	\$	1,427,915
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	168.89%		139.17%		93.75%		66.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%		81.08%		86.45%		86.36%
Ohio Police and Fire Pension Fund (OPF)							
City's Proportion of the Net Pension Liability	0.0404980%		0.0342200%		0.0375349%		0.0375349%
City's Proportionate Share of the Net Pension Liability	\$ 2,565,091	\$	2,201,397	\$	1,944,464	\$	1,828,067
City's Covered Payroll	\$ 881,807	\$	714,809	\$	763,545	\$	974,959
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	290.89%		307.97%		254.66%		187.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%		66.77%		72.20%		73.00%

(1) 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.

Notes:

Ohio Public Employees' Retirement System (OPERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 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% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

City of Delphos
Allen County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 148,059	\$ 133,607	\$ 120,435	\$ 123,943
Contributions in Relation to the Contractually Required Contribution	<u>(148,059)</u>	<u>(133,607)</u>	<u>(120,435)</u>	<u>(123,943)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,138,914	\$ 1,111,750	\$ 1,003,625	\$ 1,032,858
Contributions as a Percentage of Covered Payroll	13.00%	12.02%	12.00%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 214,753	\$ 184,251	\$ 146,805	\$ 156,819
Contributions in Relation to the Contractually Required Contribution	<u>(214,753)</u>	<u>(184,251)</u>	<u>(146,805)</u>	<u>(156,819)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 1,025,748	\$ 881,807	\$ 714,809	\$ 763,545
Contributions as a Percentage of Covered Payroll	20.94%	20.89%	20.54%	20.54%

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 185,629	n/a	n/a	n/a	n/a	n/a
<u>(185,629)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ 0</u>	n/a	n/a	n/a	n/a	n/a
\$ 1,427,915	n/a	n/a	n/a	n/a	n/a
13.00%	n/a	n/a	n/a	n/a	n/a
\$ 171,153	\$ 142,533	\$ 173,813	\$ 145,806	\$ 151,478	\$ 144,682
<u>(171,153)</u>	<u>(142,533)</u>	<u>(173,813)</u>	<u>(145,806)</u>	<u>(151,478)</u>	<u>(144,682)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 974,959	\$ 977,208	\$ 1,191,664	\$ 999,648	\$ 1,038,535	\$ 991,942
17.55%	14.59%	14.59%	14.59%	14.59%	14.59%

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OHIO AUDITOR OF STATE KEITH FABER



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

City of Delphos
Allen County
608 N. Canal Street
Delphos, Ohio 45833

To the City Mayor and Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delphos, Allen County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2019 wherein we noted the City changed the presentation of the financial statements to be in accordance with accounting principles generally accepted in the United States of America and the accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274
www.ohioauditor.gov

Compliance and Other Matters

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

City's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2019

**CITY OF DELPHOS
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Accuracy of Financial Reporting - Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of its financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City posted all transactions to the accounting system; however, not all transactions were posted to the correct accounts and/or funds. The following items were not properly recorded during 2017:

- The revenue and expenditures of two FEMA grants were incorrectly posted to the General Fund. An adjustment of \$614,693 to reclassify the grant activity was made to decrease both intergovernmental revenue and security of persons expenditures in the General Fund. An adjustment was made to establish a separate FEMA grant special revenue fund and a separate FEMA grant capital projects fund. An increase of \$232,788 to intergovernmental revenue and security of persons expenditures was made to the FEMA grant special revenue fund and an adjustment of \$381,905 was made to increase intergovernmental revenue and capital outlay expenditures to the FEMA grant capital projects fund for the amounts reclassified from the General Fund. The above adjustments also affected the General Fund budgetary statement presented. Intergovernmental revenue and security of persons expenditure line items in the actual column were decreased by \$614,693.
- FEMA grant revenue was incorrectly posted as general revenue instead of as operating grants – program revenue on the Statement of Activities. An adjustment of \$232,788 was made to properly reflect the grant funds against the security of persons expenditure line item in program revenue.
- The City received a donation for the Splash Pad project. This amount was incorrectly reported as general revenue on the Statement of Activities. An adjustment of \$125,834 was made to correctly report this revenue as operating grants/donations for the capital outlay line to properly reflect program revenues.
- Incorrect amounts were noted in the Income Tax Fund and the Park Fund budgetary statements presented. The Final Budget column for the Income Tax and Park Funds were both overstated by \$100,000 in the income tax receipts amount.
- The property tax, income tax, intergovernmental revenue, and other revenue final budgeted amounts for the General Fund reported were overstated by \$40,000, \$100,000, \$200,000, and \$240,000, respectively, to what was approved.

FINDING NUMBER 2017-001
(Continued)

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.165-1800.179) - *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In addition, GASB Statement No. 63 par. 8-11 (GASB Codification 1800.155-1800.163) establishes standards for reporting net position.

- The City incorrectly reported the Street Bond Fund balance on the Balance Sheet and the Statement of Net Position. An adjustment was made to reclassify the fund balance on the Balance Sheet in the amount of \$18,714 from restricted to committed classification. An adjustment was also made to reclassify \$18,714 from the Restricted for Street classification to Un-restricted classification on the Statement of Net Position.

The accompanying financial statements and the City's records have been adjusted accordingly. In addition to the adjustments listed above, we also identified additional misstatements in the financial statements ranging of \$2,954 to \$87,019 for 2017 that we have brought to the City's attention.

The failure to correctly classify financial activity in the accounting system and financial statements may impact the user's understanding of the financial operations, the City's ability to make sound financial decisions, the City's ability to comply with budgetary laws, and may result in material misstatement to the financial statements.

The City should establish and implement policies and procedures to provide for a review of the classification of the revenues and expenditures prior to completion of the annual financial statements to determine accurate classifications. The City should also utilize resources available on the Auditor of State's website (www.ohioauditor.gov) to verify they are using the most up to date information available. In addition, the City should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54.

Officials' Response:

This error for FEMA reporting has been noted. Future plans for the City would be to set-up a separate fund. The last receipt for this Grant was February of 2018, advice and procedure will be discussed with our financial consultant. As for budget issues, the City will review all of these issues with our consultant and address any shortcomings in the future.



City of Delphos

608 N. Canal St.
 Delphos, OH 45833
 419-695-4010

www.cityofdelphos.com

Joshua P Gillespie, Mayor
 Shane Coleman, Sæty Service Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code 117-38 and Ohio Rev. Code 117-2-03(B) – Failure to report in accordance with GAAP.	Fully Corrected	The City has resolved the issue of reporting in GAAP statements. Effective for the reporting year of 2017 the City reported GAAP statements and plan on continuing in the future.
2016-002	Material Weakness – Accuracy in Financial Reporting	Not Corrected	The error for FEMA grant received has been noted. Future plans for the City would be to set-up a separate fund. Repeated as Finding 2017-001.

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OHIO AUDITOR OF STATE
KEITH FABER



CITY OF DELPHOS

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 14, 2019**