



Dave Yost • Auditor of State

**City of Delphos
Allen County**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying cash-basis 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 years ended December 31, 2015 and 2014, 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 the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2015 and 2014, and the respective changes in cash financial position, and where applicable, cash flows, and the budgetary comparison for the General, Income Tax, State Highway, and Park funds thereof for the years then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2014, the City has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 18, 2017

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

This 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, 2015, within the limitations of the City's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key highlights for 2015 are as follows:

In total, net position increased \$593,789. Net position of governmental activities increased \$811,769, which represents an 85 percent increase from 2014. Net position of business-type activities decreased \$217,980 or 18 percent from 2014.

The City's general receipts accounted for \$4,448,491 in receipt or 41 percent of all receipts. Program specific receipts in the form of charges of services and sales, operating grants, capital grants, contributions and interest accounted for \$6,291,247 or 59 percent of total receipts of \$10,739,738.

Total program disbursements were \$10,145,949; \$2,944,664 in governmental activities and \$7,201,285 in business-type activities.

Outstanding debt decreased from \$36,442,776 to \$34,182,587 through payment of debt.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. In the case of the City of Delphos, the general and income tax funds are the most significant governmental funds. The water and sewer funds are the most significant enterprise funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)
(Continued)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

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, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other non-financial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.

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

Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the disbursements of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)
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Reporting the City of Delphos's Most Significant Funds

Fund Financial Statements

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

Governmental Funds Most of the City's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds The City maintains two types of proprietary funds, an internal service fund and business-type 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 two major funds in the business-type funds, the water and sewer 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 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 1,761,219	\$ 949,450	\$ 963,146	\$ 1,181,126	\$ 2,724,365	\$ 2,130,576
Net Position						
Restricted For:						
Public Safety	\$ 228,702	\$ 136,735	\$ 0	\$ 0	\$ 228,702	\$ 136,735
Street Maintenance	291,264	332,819	0	0	291,264	332,819
Economic Development	1,050	1,050	0	0	1,050	1,050
Other Purposes	154,122	7,349	0	0	154,122	7,349
Unrestricted	1,086,081	471,497	963,146	1,181,126	2,049,227	1,652,623
Total Net Position	1,761,219	949,450	963,146	1,181,126	2,724,365	2,130,576

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)
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A portion of the City's net position, \$675,138 or 38 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$2,049,227 may be used to meet the government's ongoing obligations to citizens and creditors for governmental and business-type activities.

The \$811,769 increase in governmental cash and cash equivalents was primarily caused by an increase in income tax receipts which were created by the levy passed in 2014. The \$217,980 decrease in business-type cash and cash equivalents was primarily caused by a decrease in transfers received from the governmental funds for debt payments.

Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Receipts						
<i>Program Receipts:</i>						
Charges for Services	\$ 617,805	\$ 568,298	\$ 5,047,664	\$ 4,672,273	\$ 5,665,469	\$ 5,240,571
Operating Grants	337,195	330,007	0	0	337,195	330,007
Capital Grants	56,583	228,739	232,000	0	288,583	228,739
<i>General Receipts:</i>						
Property Taxes	387,943	384,107	0	0	387,943	384,107
Income Taxes	3,289,611	2,613,105	0	0	3,289,611	2,613,105
Grants and Entitlements	199,334	181,322	0	0	199,334	181,322
Proceeds of OPWC Loans	0	0	550,328	13,923	550,328	13,923
Investment Earnings	3,319	3,070	0	0	3,319	3,070
Miscellaneous	14,643	23,540	3,313	5,264	17,956	28,804
<i>Total Receipts</i>	<u>4,906,433</u>	<u>4,332,188</u>	<u>5,833,305</u>	<u>4,691,460</u>	<u>10,739,738</u>	<u>9,023,648</u>
Program Disbursements						
General Government	338,623	339,752	0	0	338,623	339,752
Security of Persons and Property	1,781,819	1,844,998	0	0	1,781,819	1,844,998
Public Health	45,101	44,655	0	0	45,101	44,655
Leisure Time Services	395,810	356,436	0	0	395,810	356,436
Transportation	371,772	579,665	0	0	371,772	579,665
Interest and Fiscal Charges	0	1,117	0	0	0	1,117
Principal Retirement	11,539	22,171	0	0	11,539	22,171
<i>Enterprise Operations:</i>						
Water	0	0	2,202,185	2,088,916	2,202,185	2,088,916
Sewer	0	0	4,533,581	3,557,529	4,533,581	3,557,529
Sanitation	0	0	465,519	464,408	465,519	464,408
<i>Total Program Disbursements</i>	<u>2,944,664</u>	<u>3,188,794</u>	<u>7,201,285</u>	<u>6,110,853</u>	<u>10,145,949</u>	<u>9,299,647</u>
<i>Increase (Decrease) in Net Position</i>	1,961,769	1,143,394	(1,367,980)	(1,419,393)	593,789	(275,999)
Transfers	(1,150,000)	(1,300,000)	1,150,000	1,300,000	0	0
<i>Change in Net Position</i>	811,769	(156,606)	(217,980)	(119,393)	593,789	(275,999)
<i>Net Position Beginning of Year</i>	949,450	1,106,056	1,181,126	1,300,519	2,130,576	2,406,575
<i>Net Position End of Year</i>	<u>\$ 1,761,219</u>	<u>\$ 949,450</u>	<u>\$ 963,146</u>	<u>\$ 1,181,126</u>	<u>\$ 2,724,365</u>	<u>\$ 2,130,576</u>

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)
(Continued)

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

The decrease in capital grants is primarily due to additional permissive tax receipts from Allen County for the 2nd Street paving project during 2014. The increase in income tax receipts was caused by the .25 percent income tax levy that was passed in 2014.

Police and fire represent the largest disbursement of the Governmental Activities. This disbursement of \$1,781,819 represents 61 percent of the total governmental activities disbursements. 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 disbursements totaled \$371,772, or 12 percent of total governmental activities disbursements, during 2015.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had disbursements of \$440,911 in 2015 equaling 15 percent of the total governmental services disbursements.

Business-type Activities

Business-type activities include water, sewer and sanitation operations. The receipts are generated primarily from charges for services. In 2015, charges for services were \$5,047,664 accounting for 87 percent of the business-type receipts. The total disbursements for the utilities were \$7,201,285, thus leaving a decrease in net position of \$217,980 for the business-type activities (after transfers of \$1,150,000 from the governmental funds).

The City's Funds

Information about the City's governmental funds begins on page 15. All governmental funds had receipts of \$4,906,433 and disbursements of \$2,955,447. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly receipts.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$535,581 primarily caused by an increase in income tax receipts due to the levy passed in 2014.

The fund balance of the income tax fund increased by \$72,391. This was caused by an increase in income tax receipts due to the levy passed in 2014.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)
(Continued)

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 \$371,406, \$577,430 and \$14,310 respectively. The total growth in cash position for the water fund and sanitation funds was \$2,584 and \$7,660 respectively while the sewer fund saw a decline of \$228,224. This decline was primarily caused by a reduction in transfers received from the governmental funds for debt payments. 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 upon 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 2015, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis receipts were \$3,044,941, representing a decrease of \$137,939 under the final budget estimate of \$3,182,880 primarily caused by an overestimation of property and income tax receipts.

Final disbursement appropriations were \$788,932 higher than actual disbursements of \$1,928,531 as the City recognized cost savings in 2015.

Final budget revenue was \$500,000 higher than original budget revenue. Final appropriations were \$475,265 higher than original appropriations. These variances were primarily due to a conservative original budget during 2015 for the impact of the income tax levy.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)
(Continued)

Debt Administration

The outstanding debt for the City as of December 31, 2015 was \$34,182,587. See Notes 6 and 7 for additional details. Table 3 summarizes outstanding debt.

Table 3
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Leases	\$ 20,578	\$ 0	\$ 0	\$ 0	\$ 20,578	\$ 0
General Obligation Bonds	0	0	1,060,623	1,271,722	1,060,623	1,271,722
OPWC Loans	0	0	687,929	154,290	687,929	154,290
OWDA Loans	0	0	32,413,457	35,016,764	32,413,457	35,016,764
<i>Total</i>	<i>\$ 20,578</i>	<i>\$ 0</i>	<i>\$ 34,162,009</i>	<i>\$ 36,442,776</i>	<i>\$ 34,182,587</i>	<i>\$ 36,442,776</i>

Contacting the City's Finance Department

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

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City of Delphos
Allen County, Ohio
Statement of Net Position - Cash Basis
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,761,219	\$ 963,146	\$ 2,724,365
Net Position			
Restricted For:			
Public Safety	\$ 228,702	\$ 0	\$ 228,702
Street Maintenance	291,264	0	291,264
Economic Development	1,050	0	1,050
Other Purposes	154,122	0	154,122
Unrestricted	1,086,081	963,146	2,049,227
<i>Total Net Position</i>	\$ 1,761,219	\$ 963,146	\$ 2,724,365

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		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	\$ 338,623	\$ 166,056	\$ 0	\$ 0	\$ (172,567)	\$ 0	\$ (172,567)
Security of Persons and Property	1,781,819	364,723	0	56,583	(1,360,513)	0	(1,360,513)
Public Health	45,101	0	0	0	(45,101)	0	(45,101)
Leisure Time Services	395,810	87,026	10,170	0	(298,614)	0	(298,614)
Transportation	371,772	0	327,025	0	(44,747)	0	(44,747)
Principal Retirement	11,539	0	0	0	(11,539)	0	(11,539)
<i>Total Governmental Activities</i>	<u>2,944,664</u>	<u>617,805</u>	<u>337,195</u>	<u>56,583</u>	<u>(1,933,081)</u>	<u>0</u>	<u>(1,933,081)</u>
Business-Type Activities							
Water	2,202,185	2,102,634	0	0	0	(99,551)	(99,551)
Sewer	4,533,581	2,471,851	0	232,000	0	(1,829,730)	(1,829,730)
Sanitation	465,519	473,179	0	0	0	7,660	7,660
<i>Total Business-Type Activities</i>	<u>7,201,285</u>	<u>5,047,664</u>	<u>0</u>	<u>232,000</u>	<u>0</u>	<u>(1,921,621)</u>	<u>(1,921,621)</u>
<i>Total Primary Government</i>	<u>\$ 10,145,949</u>	<u>\$ 5,665,469</u>	<u>\$ 337,195</u>	<u>\$ 288,583</u>	<u>(1,933,081)</u>	<u>(1,921,621)</u>	<u>(3,854,702)</u>
General Receipts:							
Property Taxes Levied for:							
General Purposes					332,637	0	332,637
Police and Fire Pension					55,306	0	55,306
Income Taxes Levied for:							
General Purposes					1,890,847	0	1,890,847
Capital Improvements					974,073	0	974,073
Parks and Recreation					424,691	0	424,691
Grants and Entitlements not Restricted to Specific Programs					199,334	0	199,334
Proceeds of OPWC Loans					0	550,328	550,328
Investment Earnings					3,319	0	3,319
Miscellaneous					14,643	3,313	17,956
<i>Total General Receipts</i>					<u>3,894,850</u>	<u>553,641</u>	<u>4,448,491</u>
Transfers					(1,150,000)	1,150,000	0
<i>Change in Net Position</i>					811,769	(217,980)	593,789
<i>Net Position Beginning of Year</i>					949,450	1,181,126	2,130,576
<i>Net Position End of Year</i>					<u>\$ 1,761,219</u>	<u>\$ 963,146</u>	<u>\$ 2,724,365</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

	General Fund	Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 786,806	\$ 179,166	\$ 668,200	\$ 1,634,172
Fund Balances				
Nonspendable	\$ 6,938	\$ 0	\$ 0	\$ 6,938
Restricted	0	0	648,471	648,471
Committed	0	179,166	19,729	198,895
Assigned	771,538	0	0	771,538
Unassigned	8,330	0	0	8,330
<i>Total Fund Balances</i>	<u>\$ 786,806</u>	<u>\$ 179,166</u>	<u>\$ 668,200</u>	<u>\$ 1,634,172</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 - Cash Basis
December 31, 2015

Total Governmental Fund Balances \$ 1,634,172

*Amounts reported for governmental activities in the statement
of net position are different because*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

127,047

Net Position of Governmental Activities

\$ 1,761,219

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Income Tax Fund	All Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 332,637	\$ 0	\$ 55,306	\$ 387,943
Income Taxes	1,890,847	974,073	424,691	3,289,611
Charges for Services	528,665	0	0	528,665
Licenses and Permits	69,769	0	900	70,669
Fines and Forfeitures	0	0	321	321
Intergovernmental	191,404	0	334,955	526,359
Interest	3,319	0	0	3,319
Rent	18,150	0	0	18,150
Contributions and Donations	0	0	66,753	66,753
Other	14,543	100	0	14,643
<i>Total Receipts</i>	<u>3,049,334</u>	<u>974,173</u>	<u>882,926</u>	<u>4,906,433</u>
Disbursements				
Current:				
General Government	187,868	151,782	0	339,650
Security of Persons and Property	1,576,491	0	212,260	1,788,751
Public Health	45,101	0	0	45,101
Leisure Time Services	0	0	396,580	396,580
Transportation	107,754	0	266,072	373,826
Debt Service:				
Principal Retirement	11,539	0	0	11,539
<i>Total Disbursements</i>	<u>1,928,753</u>	<u>151,782</u>	<u>874,912</u>	<u>2,955,447</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,120,581</u>	<u>822,391</u>	<u>8,014</u>	<u>1,950,986</u>
Other Financing Sources (Uses)				
Transfers In	0	0	185,000	185,000
Transfers Out	(585,000)	(750,000)	0	(1,335,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(585,000)</u>	<u>(750,000)</u>	<u>185,000</u>	<u>(1,150,000)</u>
<i>Net Change in Fund Balance</i>	535,581	72,391	193,014	800,986
<i>Fund Balance Beginning of Year</i>	<u>251,225</u>	<u>106,775</u>	<u>475,186</u>	<u>833,186</u>
<i>Fund Balance End of Year</i>	<u>\$ 786,806</u>	<u>\$ 179,166</u>	<u>\$ 668,200</u>	<u>\$ 1,634,172</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis
For The Year Ended December 31, 2015*

Net Change in Fund Balances - Total Governmental Funds \$ 800,986

*Amounts reported for governmental activities in the statement
of activities are different because*

The internal service funds used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

10,783

Change in Net Position of Governmental Activities

\$ 811,769

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property Taxes	\$ 311,572	\$ 366,194	\$ 332,637	\$ (33,557)
Income Taxes	1,656,136	1,966,624	1,890,847	(75,777)
Charges for Services	446,715	533,526	528,665	(4,861)
Licenses and Permits	74,226	85,683	69,769	(15,914)
Intergovernmental	171,128	202,558	191,404	(11,154)
Interest	2,011	2,556	3,319	763
Rent	18,059	21,039	18,150	(2,889)
Other	3,033	4,700	10,150	5,450
<i>Total Receipts</i>	<u>2,682,880</u>	<u>3,182,880</u>	<u>3,044,941</u>	<u>(137,939)</u>
Disbursements				
Current:				
General Government	216,868	542,651	187,646	355,005
Security of Persons and Property	1,835,334	1,981,868	1,576,491	405,377
Public Health	52,125	53,931	45,101	8,830
Transportation	124,535	125,189	107,754	17,435
Debt Service:				
Principal Retirement	13,336	13,824	11,539	2,285
<i>Total Disbursements</i>	<u>2,242,198</u>	<u>2,717,463</u>	<u>1,928,531</u>	<u>788,932</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>440,682</u>	<u>465,417</u>	<u>1,116,410</u>	<u>650,993</u>
Other Financing Sources (Uses)				
Transfers Out	(676,102)	(700,838)	(585,000)	115,838
<i>Net Change in Fund Balance</i>	(235,420)	(235,421)	531,410	766,831
<i>Fund Balance Beginning of Year</i>	<u>245,918</u>	<u>245,918</u>	<u>245,918</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 10,498</u>	<u>\$ 10,497</u>	<u>\$ 777,328</u>	<u>\$ 766,831</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Income Tax Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Income Taxes	\$ 850,982	\$ 1,000,982	\$ 974,073	\$ (26,909)
Other	0	0	100	100
<i>Total Receipts</i>	<u>850,982</u>	<u>1,000,982</u>	<u>974,173</u>	<u>(26,809)</u>
Disbursements				
Current:				
General Government	161,038	282,021	151,782	130,239
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>689,944</u>	<u>718,961</u>	<u>822,391</u>	<u>103,430</u>
Other Financing Sources (Uses)				
Transfers Out	(795,736)	(824,753)	(750,000)	74,753
<i>Net Change in Fund Balance</i>	<u>(105,792)</u>	<u>(105,792)</u>	<u>72,391</u>	<u>178,183</u>
<i>Fund Balance Beginning of Year</i>	<u>106,775</u>	<u>106,775</u>	<u>106,775</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 983</u></u>	<u><u>\$ 983</u></u>	<u><u>\$ 179,166</u></u>	<u><u>\$ 178,183</u></u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2015

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	All Other Enterprise Funds		
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 371,406	\$ 577,430	\$ 14,310	\$ 963,146	\$ 127,047
Net Position					
Unrestricted	\$ 371,406	\$ 577,430	\$ 14,310	\$ 963,146	\$ 127,047

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2015

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	All Other Enterprise Funds		
Operating Receipts					
Charges for Services	\$ 2,094,615	\$ 2,471,601	\$ 473,179	\$ 5,039,395	\$ 90,519
Tap-In Fees	8,019	250	0	8,269	0
Other	2,135	1,178	0	3,313	0
<i>Total Operating Receipts</i>	<u>2,104,769</u>	<u>2,473,029</u>	<u>473,179</u>	<u>5,050,977</u>	<u>90,519</u>
Operating Disbursements					
Personal Services	459,827	424,431	15,838	900,096	0
Contractual Services	233,524	961,944	447,308	1,642,776	1,799
Materials and Supplies	167,928	81,236	2,373	251,537	0
Claims	0	0	0	0	77,937
Capital Outlay	17,842	1,034,717	0	1,052,559	0
<i>Total Operating Disbursements</i>	<u>879,121</u>	<u>2,502,328</u>	<u>465,519</u>	<u>3,846,968</u>	<u>79,736</u>
<i>Operating Income/(Loss)</i>	<u>1,225,648</u>	<u>(29,299)</u>	<u>7,660</u>	<u>1,204,009</u>	<u>10,783</u>
Non-Operating Receipts (Disbursements)					
Capital Grants	0	232,000	0	232,000	0
Proceeds from OPWC Loans	0	550,328	0	550,328	0
Interest and Fiscal Charges	(310,361)	(212,861)	0	(523,222)	0
Principal Retirement	(1,012,703)	(1,818,392)	0	(2,831,095)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,323,064)</u>	<u>(1,248,925)</u>	<u>0</u>	<u>(2,571,989)</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	<u>(97,416)</u>	<u>(1,278,224)</u>	<u>7,660</u>	<u>(1,367,980)</u>	<u>10,783</u>
Transfers In	100,000	1,050,000	0	1,150,000	0
<i>Change in Net Position</i>	<u>2,584</u>	<u>(228,224)</u>	<u>7,660</u>	<u>(217,980)</u>	<u>10,783</u>
<i>Net Position Beginning of Year</i>	<u>368,822</u>	<u>805,654</u>	<u>6,650</u>	<u>1,181,126</u>	<u>116,264</u>
<i>Net Position End of Year</i>	<u>\$ 371,406</u>	<u>\$ 577,430</u>	<u>\$ 14,310</u>	<u>\$ 963,146</u>	<u>\$ 127,047</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Summary of Significant Accounting Policies

The City of Delphos, Allen County, Ohio (the City), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Reporting Entity

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

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, as amended by GASB 61.

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

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

B. Basis of Presentation

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

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

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

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

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

C. Fund Accounting

The City uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the City are divided into two categories, governmental and proprietary.

Governmental Funds

The City classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following is the City’s major governmental funds:

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

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

Income Tax Fund – Per City Ordinance, this fund receives 33 percent of the City’s 1 percent 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.

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

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

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

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

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

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

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

D. Basis of Accounting

The City’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when liability is incurred.

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued liabilities and the related disbursements) are not recorded in these financial statements.

E. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, 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 the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Clerk. 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 final appropriations were passed by the City Council.

The appropriations ordinance 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 ordinance 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 the City Council during the year.

F. Pooled Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During fiscal year 2015, 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 2015 amounted to \$3,319 which includes \$2,609 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.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

G. Materials and Supplies Inventory

The City reports disbursements for inventories when paid. These items are not reflected as assets in the accompanying financial statements.

H. Prepaid Items

The City reports disbursements for prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

I. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

J. Compensated Absences

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's cash basis of accounting.

K. Long-Term Obligations

The City's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither are other financing sources nor capital outlay disbursements reported at inception. Lease payments are reported when paid.

L. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 nonoperating receipts / disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

M. Operating Receipts and Disbursements

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

N. 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.

O. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include primarily resources restricted for street maintenance and repairs and parks and recreation.

The City's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net positions are available.

P. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 interfund loans.

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.

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt 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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Q. Implementation of New Accounting Principles

For the year ended December 31, 2015, the City has implemented (to the extent it applies to the cash basis of accounting) Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. See Note 8 for further information.

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 8 for further information.

Note 2 – Budgetary Basis of Accounting

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general and income tax funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general and income tax funds are as follows:

	General	Income Tax
Cash Basis	\$ 535,581	\$ 72,391
Funds Budgeted Elsewhere*	(4,171)	0
Budget Basis	\$ 531,410	\$ 72,391

* 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 the sister city and unclaimed monies funds.

Note 3 – Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.;
4. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;
5. Bonds and any other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus).
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 twenty-five percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate note interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2015, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At year-end, the carrying amount of the City's deposits was \$2,724,365, which includes \$306 of cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures* as of December 31, 2015, \$2,445,348 of the City's bank balance of \$2,877,983 was exposed to custodial risk as discussed above, while \$432,635 was covered by Federal Deposit Insurance Corporation.

Note 4 – 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 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

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For the Year Ended December 31, 2015
(Continued)

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$6.75 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

	<u>Allen County</u>	<u>Van Wert County</u>
Real Property	\$ 65,984,120	\$ 33,150,380
Public Utilities - Real	1,330	970
Public Utilities - Personal	<u>1,761,670</u>	<u>1,426,670</u>
Total Assessed Value	<u>\$ 67,747,120</u>	<u>\$ 34,578,020</u>

B. Income Taxes

The City levies an income tax of 1.75 percent on all income earned within the City, as well as incomes of City residents earned outside the City. Residents are granted a 0.75 percent credit on income earned and taxed by another Ohio municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City allocates income tax receipts to the general, income tax and park funds. Tax receipts amounted to \$3,289,611 in 2015. A new levy .25 percent was passed in 2014 with receipts going to the park fund. The remaining income tax is to be divided 67 percent to the general fund and 33 percent to the income tax fund with any disbursements of the income tax process to be charged to the income tax fund and the remainder to be transferred to the sewer fund for sewer system improvements. The .5 percent of the income tax was voter approved for safety services.

Note 5 – 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 three years.

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

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For the Year Ended December 31, 2015
(Continued)

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.

Note 6 –Leases

In 2015, the City entered into a three year lease for the acquisition of a police cruiser in the amount of \$32,117. Principal payments in the amount of \$11,539 were made during 2015. Lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These disbursements are reflected as function disbursements on a budgetary basis.

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, 2015:

		Governmental Activities
Year ending December 31,	2016	\$ 11,539
	2017	<u>11,539</u>
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(2,500)</u>
Present value of net minimum lease payments		<u>\$ 20,578</u>

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For the Year Ended December 31, 2015
(Continued)

Note 7 – Long-Term Obligations

Changes in the long-term obligations of the City during 2015 were as follows:

	Outstanding <u>1/1/2015</u>	Additions	Deletions	Outstanding <u>12/31/2015</u>	Amounts Due <u>In One Year</u>
Governmental activities:					
Lease obligation	<u>\$ 0</u>	<u>\$ 32,117</u>	<u>\$ (11,539)</u>	<u>\$ 20,578</u>	<u>\$ 9,893</u>
Business-Type activities:					
General Obligation Bonds:					
Water plant improvement, 3.25%-4.875%	<u>\$ 1,271,722</u>	<u>\$ 0</u>	<u>\$ (211,099)</u>	<u>\$ 1,060,623</u>	<u>\$ 219,552</u>
<i>Total General Obligation Bonds</i>	<u>1,271,722</u>	<u>0</u>	<u>(211,099)</u>	<u>1,060,623</u>	<u>219,552</u>
OWDA loans:					
1995 OWDA loan, 4.35%	194,113	0	(194,113)	0	0
2005 OWDA loan, .95%	22,365,224	0	(1,624,279)	20,740,945	1,639,747
2006 OWDA loan, 2.00%	11,250,650	0	(733,716)	10,516,934	748,465
2007 OWDA loan, 4.32%	706,711	0	(18,451)	688,260	19,257
2007 OWDA loan, 2.00%	443,545	0	(30,195)	413,350	30,802
2013 OWDA loan, 2.00%	<u>56,521</u>	<u>0</u>	<u>(2,553)</u>	<u>53,968</u>	<u>2,604</u>
<i>Total OWDA Loans</i>	<u>35,016,764</u>	<u>0</u>	<u>(2,603,307)</u>	<u>32,413,457</u>	<u>2,440,875</u>
OPWC Loans:					
1999 OPWC loan, 0%	35,511	0	(7,891)	27,620	7,891
2007 OPWC loan, 0%	118,779	0	(8,798)	109,981	8,798
2015 OPWC loan, 0%	<u>0</u>	<u>550,328</u>	<u>0</u>	<u>550,328</u>	<u>0</u>
<i>Total OPWC Loans</i>	<u>154,290</u>	<u>550,328</u>	<u>(16,689)</u>	<u>687,929</u>	<u>16,689</u>
<i>Total business-type activities, long-term liabilities</i>	<u>\$ 36,442,776</u>	<u>\$ 550,328</u>	<u>\$ (2,831,095)</u>	<u>\$ 34,162,009</u>	<u>\$ 2,677,116</u>

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

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

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

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

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

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For the Year Ended December 31, 2015
(Continued)

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 receipt 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 receipts 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 loan balance at December 31, 2015 was \$550,328. The full amount of the loan is \$640,000 and matures in the year 2036. The City sewer system receipts will be used for the principal repayment. There is no amortization schedule available and therefore has not been included in the table below.

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

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

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

The City has pledged future water and sewer receipts, net of specified operating disbursements to repay \$33,101,386 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 102.08 percent. The total principal and interest remaining to be paid on the loans is \$36,225,686. Principal and interest paid for the current year and total net receipts were \$3,094,393 and \$3,031,236, respectively.

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For the Year Ended December 31, 2015
(Continued)

The annual requirements to amortize all bonded debt and loans as of December 31, 2015 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2016	\$ 219,552	\$ 40,374	\$ 2,440,875	\$ 438,475	\$ 16,689	\$ 2,677,116	\$ 478,849
2017	228,526	31,400	2,473,045	406,305	16,689	2,718,260	437,705
2018	237,758	22,168	2,505,717	373,634	16,689	2,760,164	395,802
2019	247,364	12,562	2,538,901	340,450	12,746	2,799,011	353,012
2020	127,423	2,569	2,572,604	306,747	8,798	2,708,825	309,316
2021-2025	0	0	13,387,470	1,009,274	43,990	13,431,460	1,009,274
2026-2030	0	0	6,193,944	199,657	22,000	6,215,944	199,657
2031-2035	0	0	208,384	44,709	0	208,384	44,709
2036-2037	0	0	92,517	5,049	0	92,517	5,049
Totals	\$ 1,060,623	\$ 109,073	\$ 32,413,457	\$ 3,124,300	\$ 137,601	\$ 33,611,681	\$ 3,233,373

Note 8 - Defined Benefit Pension Plans

Net Pension Asset/Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension asset/liability is not reported in the accompanying financial statements. The net pension asset/liability has been disclosed below.

The net pension asset/liability reported on the statement of net position represents an asset/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.

The net pension asset/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 asset/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.

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(Continued)

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 asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

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 and combined plans; therefore, the following disclosure focuses on these two plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

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(Continued)

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 retiring 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, capped at 3 percent.

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

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

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(Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$125,617 for 2015.

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 retiring under normal service retirement, 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) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

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(Continued)

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.0 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$146,805 for 2015.

Net Pension Asset/Liability

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/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:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the Net Pension Asset	\$ 0	\$ 3,969	\$ 0	\$ 3,969
Proportionate Share of the Net Pension Liability	\$ 968,267	\$ 0	\$ 1,944,464	\$ 2,912,731
Proportion of the Net Pension Asset/Liability	0.00802800%	0.01030800%	0.03753490%	

Actuarial Assumptions - OPERS

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

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(Continued)

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 asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	Traditional Pension Plan	Combined Pension Plan
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation	4.25 percent to 8.05 percent, including wage inflation
COLA or Ad Hoc COLA	3.00 percent, simple	3.00 percent
Investment Rate of Return	8.00 percent	8.00 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term 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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. 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 asset/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

City's proportionate share of the net pension (asset)/liability:	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Traditional Plan	\$ 1,781,333	\$ 968,267	\$ 283,469
Combined Plan	515	(3,969)	(7,525)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, 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 plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

City of Delphos
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
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
Cost of Living Adjustments	2.60 percent 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 the 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, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income*	20.00	1.62
Global Inflation Protected*	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

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 their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total 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 earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’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	\$ 2,689,488	\$ 1,944,464	\$ 1,313,656

Note 9: Post-Employment Benefits

A. Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

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For the Year Ended December 31, 2015
(Continued)

The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided 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>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their 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 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The 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 to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$20,936, \$20,657 and \$14,279, respectively. The full amount has been contributed for all years.

B. 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 health care 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.

City of Delphos
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

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 healthcare coverage to eligible participants and to establish and amend benefits is 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 Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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 contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. 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 police and firefighters were \$2,353 and \$1,221 for the year ended December 31, 2015, \$2,513 and \$1,305 for the year ended December 31, 2014, and \$18,719 and \$12,938 for the year ended December 31, 2013. The full amount has been contributed for all years.

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 10 – 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 11 – Interfund Transfers

Transfers during 2015 consisted of the following:

Transfer To	Transfer From		Total
	General	Income Tax	
Nonmajor Governmental	\$ 185,000	\$ 0	\$ 185,000
Water Fund	100,000	0	100,000
Sewer Fund	300,000	750,000	1,050,000
<i>Total</i>	<i>\$ 585,000</i>	<i>\$ 750,000</i>	<i>\$ 1,335,000</i>

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

The income tax fund transferred \$750,000 to the sewer fund, per City Ordinance, for repayment of debt. The general fund transferred \$185,000 to various non-major governmental funds to provide additional resources for current operations, \$100,000 to the water fund for repayment of debt and \$300,000 to the sewer fund for capital improvements.

Note 12 – 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
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015
(Continued)

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

	<u>General Fund</u>	<u>Income Tax</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable for:				
Unclaimed Monies	<u>\$ 6,938</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,938</u>
Restricted for:				
Street Maintenance	0	0	271,535	271,535
Public Safety	0	0	234,197	234,197
Economic Development	0	0	1,050	1,050
Parks and Recreation	0	0	141,689	141,689
Income Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Restricted	<u>0</u>	<u>0</u>	<u>648,471</u>	<u>648,471</u>
Committed for:				
Guaranteed Street Bond	0	0	19,729	19,729
Income Tax	<u>0</u>	<u>179,166</u>	<u>0</u>	<u>179,166</u>
Total Committed	<u>0</u>	<u>179,166</u>	<u>19,729</u>	<u>198,895</u>
Assigned:				
Subsequent Year Appropriations	<u>771,538</u>	<u>0</u>	<u>0</u>	<u>771,538</u>
Unassigned	<u>8,330</u>	<u>0</u>	<u>0</u>	<u>8,330</u>
Total Fund Balance	<u>\$ 786,806</u>	<u>\$ 179,166</u>	<u>\$ 668,200</u>	<u>\$ 1,634,172</u>

Note 13 – Non-Compliance

Ohio Administrative Code Section 117-2-03(B) requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For the year 2015 and 2014, the City prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the City may be fined and subject to various other administrative remedies for its failure to file the required financial report.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

This 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, 2014, within the limitations of the City's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key highlights for 2014 are as follows:

In total, net position decreased \$275,999. Net position of governmental activities decreased \$156,606, which represents a 14 percent decrease from 2013. Net position of business-type activities decreased \$119,393 or 9 percent from 2013.

The City's general receipts accounted for \$3,224,331 in receipt or 36 percent of all receipts. Program specific receipts in the form of charges of services and sales, operating grants, capital grants, contributions and interest accounted for \$5,799,317 or 64 percent of total receipts of \$9,023,648.

Total program disbursements were \$9,299,647; \$3,188,794 in governmental activities and \$6,110,853 in business-type activities.

Outstanding debt decreased from \$39,424,591 to \$36,442,776 through payment of debt.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. In the case of the City of Delphos, the general, income tax, state highway and park funds are the most significant governmental funds. The water and sewer funds are the most significant enterprise funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

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, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other non-financial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.

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

Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the disbursements of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

City of Delphos
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(Unaudited)
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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, income tax fund, state highway fund and the park fund.

Governmental Funds Most of the City's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds The City maintains two types of proprietary funds, an internal service fund and business-type 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 two major funds in the business-type funds, the water and sewer 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 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 949,450	\$ 1,106,056	\$ 1,181,126	\$ 1,300,519	\$ 2,130,576	\$ 2,406,575
Net Position						
Restricted For:						
Public Safety	\$ 136,735	\$ 28,562	\$ 0	\$ 0	\$ 136,735	\$ 28,562
Street Maintenance	332,819	689,002	0	0	332,819	689,002
Economic Development	1,050	1,145	0	0	1,050	1,145
Other Purposes	7,349	7,013	0	0	7,349	7,013
Unrestricted	471,497	380,334	1,181,126	1,300,519	1,652,623	1,680,853
<i>Total Net Position</i>	949,450	1,106,056	1,181,126	1,300,519	2,130,576	2,406,575

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

A portion of the City's net position, \$477,953 or 50 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$1,652,623 may be used to meet the government's ongoing obligations to citizens and creditors for governmental and business-type activities.

Table 2 shows the changes in net position for fiscal year 2014. Since this is the first year the City has prepared financial statements on a cash basis, receipt and disbursement comparisons to fiscal year 2013 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

Table 2
Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
	2014	2014	2014
Receipts			
<i>Program Receipts:</i>			
Charges for Services	\$ 568,298	\$ 4,672,273	\$ 5,240,571
Operating Grants	330,007	0	330,007
Capital Grants	228,739	0	228,739
<i>General Receipts:</i>			
Property Taxes	384,107	0	384,107
Income Taxes	2,613,105	0	2,613,105
Grants and Entitlements	181,322	0	181,322
Proceeds of Loans	0	13,923	13,923
Investment Earnings	3,070	0	3,070
Miscellaneous	23,540	5,264	28,804
<i>Total Receipts</i>	<u>4,332,188</u>	<u>4,691,460</u>	<u>9,023,648</u>
Program Disbursements			
General Government	339,752	0	339,752
Security of Persons and Property	1,844,998	0	1,844,998
Public Health	44,655	0	44,655
Leisure Time Services	356,436	0	356,436
Transportation	579,665	0	579,665
Interest and Fiscal Charges	1,117	0	1,117
Principal Retirement	22,171	0	22,171
<i>Enterprise Operations:</i>			
Water	0	2,088,916	2,088,916
Sewer	0	3,557,529	3,557,529
Sanitation	0	464,408	464,408
<i>Total Program Disbursements</i>	<u>3,188,794</u>	<u>6,110,853</u>	<u>9,299,647</u>
<i>Increase (Decrease) in Net Position</i>	1,143,394	(1,419,393)	(275,999)
Transfers	(1,300,000)	1,300,000	0
<i>Change in Net Position</i>	<u>(156,606)</u>	<u>(119,393)</u>	<u>(275,999)</u>

City of Delphos
Allen County, Ohio
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For the Year Ended December 31, 2014
(Unaudited)
(Continued)

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.

The City passed a levy in 2014 that increased income tax by .25 percent, increasing the income tax rate to 1.75 percent. This increase is being used for parks and recreation. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides .75 percent credit for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional receipts for the City.

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

The increase in capital grants is primarily due to additional permissive tax receipts from Allen County for the 2nd Street paving project. These tax receipts are held by the County and disbursed when requested by the City.

Police and fire represent the largest disbursement of the Governmental Activities. This disbursement of \$1,844,998 represents 61 percent of the total governmental activities disbursements. 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 disbursements totaled \$579,665, or 18 percent of total governmental activities disbursements, during 2014.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had disbursements of \$401,091 in 2014 equaling 13 percent of the total governmental services disbursements.

Business-type Activities

Business-type activities include water, sewer and sanitation operations. The receipts are generated primarily from charges for services. In 2014, charges for services and operating grants of \$4,672,273 accounted for nearly 100 percent of the business-type receipts. The total disbursements for the utilities were \$6,110,853, thus leaving a decrease in net position of \$119,393 for the business-type activities (after transfers of \$1,300,000 from the governmental funds).

The City's Funds

Information about the City's governmental funds begins on page 57. All governmental funds had receipts of \$4,332,189 and disbursements of \$3,220,424. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly receipts.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

The general fund's net change in fund balance for fiscal year 2014 was a decrease of \$47,223 which was caused by a decrease in local government tax receipts.

The fund balance of the income tax fund decreased by \$360,920 due to an increase in funds transferred to the sewer fund for debt payments.

The state highway fund's net change in fund balance for fiscal year 2014 was an increase of \$8,580.

The park fund was established during fiscal year 2014. It had a fund balance of \$103,408 at the end of the year.

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 \$368,822, \$805,654 and \$6,650 respectively. The total decline in cash position for the water fund was \$145,572 while the sewer and sanitation funds saw growth of \$22,593 and \$3,586 respectively. The decrease in the water fund was caused by a significant increase in principal payments for debt. 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 upon 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 2014, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis receipts were \$2,743,234, representing a decrease of \$10,766 under the final budget estimate of \$2,754,000. There were no significant variances.

Final disbursement appropriations were \$203,209 more than actual disbursements of \$2,385,475 as the City recognized cost savings in 2014.

City of Delphos
Allen County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)
(Continued)

Debt Administration

The outstanding debt for the City as of December 31, 2014 was \$36,442,776. See Notes 9 and 10 for additional details. Table 4 summarizes outstanding debt.

Table 3
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Leases	\$ 0	\$ 22,171	\$ 0	\$ 0	\$ 0	\$ 22,171
General Obligation Bonds	0	0	1,271,722	1,474,649	1,271,722	1,474,649
OPWC Loans	0	0	154,290	170,978	154,290	170,978
OWDA Loans	0	0	35,016,764	37,756,793	35,016,764	37,756,793
<i>Total</i>	<u>\$ 0</u>	<u>\$ 22,171</u>	<u>\$ 36,442,776</u>	<u>\$ 39,402,420</u>	<u>\$ 36,442,776</u>	<u>\$ 39,424,591</u>

Contacting the City's Finance Department

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

City of Delphos
Allen County, Ohio
Statement of Net Position - Cash Basis
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 949,450	\$ 1,181,126	\$ 2,130,576
Net Position			
Restricted For:			
Public Safety	\$ 136,735	\$ 0	\$ 136,735
Street Maintenance	332,819	0	332,819
Economic Development	1,050	0	1,050
Other Purposes	7,349	0	7,349
Unrestricted	471,497	1,181,126	1,652,623
<i>Total Net Position</i>	\$ 949,450	\$ 1,181,126	\$ 2,130,576

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2014

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		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	\$ 339,752	\$ 170,155	\$ 0	\$ 0	\$ (169,597)	\$ 0	\$ (169,597)
Security of Persons and Property	1,844,998	314,637	0	72,331	(1,458,030)	0	(1,458,030)
Public Health	44,655	0	0	0	(44,655)	0	(44,655)
Leisure Time Services	356,436	83,506	0	0	(272,930)	0	(272,930)
Transportation	579,665	0	330,007	156,408	(93,250)	0	(93,250)
Interest and Fiscal Charges	1,117	0	0	0	(1,117)	0	(1,117)
Principal Retirement	22,171	0	0	0	(22,171)	0	(22,171)
<i>Total Governmental Activities</i>	<u>3,188,794</u>	<u>568,298</u>	<u>330,007</u>	<u>228,739</u>	<u>(2,061,750)</u>	<u>0</u>	<u>(2,061,750)</u>
Business-Type Activities							
Water	2,088,916	1,927,951	0	0	0	(160,965)	(160,965)
Sewer	3,557,529	2,276,328	0	0	0	(1,281,201)	(1,281,201)
Sanitation	464,408	467,994	0	0	0	3,586	3,586
<i>Total Business-Type Activities</i>	<u>6,110,853</u>	<u>4,672,273</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,438,580)</u>	<u>(1,438,580)</u>
<i>Total Primary Government</i>	<u>\$ 9,299,647</u>	<u>\$ 5,240,571</u>	<u>\$ 330,007</u>	<u>\$ 228,739</u>	<u>(2,061,750)</u>	<u>(1,438,580)</u>	<u>(3,500,330)</u>
General Receipts:							
Property Taxes Levied for:							
General Purposes					327,645	0	327,645
Police and Fire Pension					56,462	0	56,462
Income Taxes Levied for:							
General Purposes					1,656,400	0	1,656,400
Capital Improvements					853,297	0	853,297
Parks and Recreation					103,408	0	103,408
Grants and Entitlements not Restricted to Specific Programs					181,322	0	181,322
Proceeds of Loans					0	13,923	13,923
Investment Earnings					3,070	0	3,070
Miscellaneous					23,540	5,264	28,804
<i>Total General Receipts</i>					<u>3,205,144</u>	<u>19,187</u>	<u>3,224,331</u>
Transfers					<u>(1,300,000)</u>	<u>1,300,000</u>	<u>0</u>
<i>Change in Net Position</i>					<u>(156,606)</u>	<u>(119,393)</u>	<u>(275,999)</u>
<i>Net Position Beginning of Year, Restated See Note 3</i>					<u>1,106,056</u>	<u>1,300,519</u>	<u>2,406,575</u>
<i>Net Position End of Year</i>					<u>\$ 949,450</u>	<u>\$ 1,181,126</u>	<u>\$ 2,130,576</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2014

	General Fund	Income Tax Fund	State Highway Fund	Park Fund	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 251,225	\$ 106,775	\$ 123,470	\$ 103,408	\$ 248,308	\$ 833,186
Fund Balances						
Nonspendable	\$ 2,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,767
Restricted	0	0	123,470	103,408	228,290	455,168
Committed	0	106,775	0	0	20,018	126,793
Assigned	237,960	0	0	0	0	237,960
Unassigned	10,498	0	0	0	0	10,498
<i>Total Fund Balances</i>	<u>\$ 251,225</u>	<u>\$ 106,775</u>	<u>\$ 123,470</u>	<u>\$ 103,408</u>	<u>\$ 248,308</u>	<u>\$ 833,186</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 - Cash Basis
December 31, 2014

Total Governmental Fund Balances	\$ 833,186
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*Amounts reported for governmental activities in the statement
of net position are different because*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

116,264

Net Position of Governmental Activities

\$ 949,450

See accompanying notes and accountant's compilation report.

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	Income Tax Fund	State Highway Fund	Park Fund	All Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$ 327,645	\$ 0	\$ 0	\$ 0	\$ 56,462	\$ 384,107
Income Taxes	1,656,400	853,297	0	103,408	0	2,613,105
Charges for Services	458,967	0	0	0	0	458,967
Licenses and Permits	74,579	0	0	0	0	74,579
Fines and Forfeitures	0	0	0	0	1,754	1,754
Intergovernmental	172,926	0	24,159	0	502,279	699,364
Interest	3,039	0	0	0	0	3,039
Rent	18,000	0	0	0	0	18,000
Contributions and Donations	17,000	0	0	0	38,703	55,703
Other	14,696	160	0	0	8,715	23,571
<i>Total Receipts</i>	<u>2,743,252</u>	<u>853,457</u>	<u>24,159</u>	<u>103,408</u>	<u>607,913</u>	<u>4,332,189</u>
Disbursements						
Current:						
General Government	224,881	114,377	0	0	3,506	342,764
Security of Persons and Property	1,651,880	0	0	0	213,452	1,865,332
Public Health	44,655	0	0	0	0	44,655
Leisure Time Services	358,695	0	0	0	0	358,695
Transportation	95,365	0	15,579	0	474,746	585,690
Debt Service:						
Principal Retirement	9,434	0	0	0	12,737	22,171
Interest and Fiscal Charges	565	0	0	0	552	1,117
<i>Total Disbursements</i>	<u>2,385,475</u>	<u>114,377</u>	<u>15,579</u>	<u>0</u>	<u>704,993</u>	<u>3,220,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>357,777</u>	<u>739,080</u>	<u>8,580</u>	<u>103,408</u>	<u>(97,080)</u>	<u>1,111,765</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	205,000	205,000
Transfers Out	(405,000)	(1,100,000)	0	0	0	(1,505,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(405,000)</u>	<u>(1,100,000)</u>	<u>0</u>	<u>0</u>	<u>205,000</u>	<u>(1,300,000)</u>
<i>Net Change in Fund Balance</i>	(47,223)	(360,920)	8,580	103,408	107,920	(188,235)
<i>Fund Balance Beginning of Year, Restated See Note 3</i>	298,448	467,695	114,890	0	140,388	1,021,421
<i>Fund Balance End of Year</i>	<u>\$ 251,225</u>	<u>\$ 106,775</u>	<u>\$ 123,470</u>	<u>\$ 103,408</u>	<u>\$ 248,308</u>	<u>\$ 833,186</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis
For The Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	(188,235)
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*Amounts reported for governmental activities in the statement
of activities are different because*

The internal service funds used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

31,629

Change in Net Position of Governmental Activities

\$ (156,606)

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Receipts				
Property Taxes	\$ 349,000	\$ 363,333	\$ 327,645	\$ (35,688)
Income Taxes	1,600,000	1,672,457	1,656,400	(16,057)
Charges for Services	457,000	477,077	458,967	(18,110)
Licenses and Permits	80,000	83,262	74,579	(8,683)
Intergovernmental	124,000	131,565	172,926	41,361
Interest	2,000	2,133	3,039	906
Rent	18,000	18,787	18,000	(787)
Contributions and Donations	2,000	2,744	17,000	14,256
Other	2,000	2,642	14,678	12,036
<i>Total Receipts</i>	<u>2,634,000</u>	<u>2,754,000</u>	<u>2,743,234</u>	<u>(10,766)</u>
Disbursements				
Current:				
General Government	172,370	234,903	224,881	10,022
Security of Persons and Property	1,795,549	1,748,532	1,651,880	96,652
Public Health	38,937	46,647	44,655	1,992
Leisure Time Services	366,882	430,220	358,695	71,525
Transportation	109,948	118,383	95,365	23,018
Debt Service:				
Principal Retirement	9,434	9,434	9,434	0
Interest and Fiscal Charges	565	565	565	0
<i>Total Disbursements</i>	<u>2,493,685</u>	<u>2,588,684</u>	<u>2,385,475</u>	<u>203,209</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>140,315</u>	<u>165,316</u>	<u>357,759</u>	<u>192,443</u>
Other Financing Sources (Uses)				
Transfers Out	(432,956)	(457,956)	(405,000)	52,956
<i>Net Change in Fund Balance</i>	(292,641)	(292,640)	(47,241)	245,399
<i>Fund Balance Beginning of Year</i>	<u>293,159</u>	<u>293,159</u>	<u>293,159</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 518</u>	<u>\$ 519</u>	<u>\$ 245,918</u>	<u>\$ 245,399</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Income Tax Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Income Taxes	\$ 815,000	\$ 914,981	\$ 853,297	\$ (61,684)
Other	0	19	160	141
<i>Total Receipts</i>	<u>815,000</u>	<u>915,000</u>	<u>853,457</u>	<u>(61,543)</u>
Disbursements				
Current:				
General Government	582,695	382,695	114,377	(268,318)
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>232,305</u>	<u>532,305</u>	<u>739,080</u>	<u>206,775</u>
Other Financing Sources (Uses)				
Transfers Out	(700,000)	(1,000,000)	(1,100,000)	(100,000)
<i>Net Change in Fund Balance</i>	(467,695)	(467,695)	(360,920)	106,775
<i>Fund Balance Beginning of Year</i>	<u>467,695</u>	<u>467,695</u>	<u>467,695</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,775</u>	<u>\$ 106,775</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
State Highway Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 24,159	\$ (841)
Disbursements				
Current:				
Transportation	139,890	139,890	15,579	(124,311)
<i>Net Change in Fund Balance</i>	(114,890)	(114,890)	8,580	123,470
<i>Fund Balance Beginning of Year</i>	114,890	114,890	114,890	0
<i>Fund Balance End of Year</i>	\$ 0	\$ 0	\$ 123,470	\$ 123,470

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Park Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Income Taxes	\$ 0	\$ 100,000	\$ 103,408	\$ 3,408
Disbursements				
Current:				
Leisure Time Services	0	100,000	0	(100,000)
<i>Net Change in Fund Balance</i>	0	0	103,408	103,408
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$ 0	\$ 0	\$ 103,408	\$ 103,408

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2014

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	All Other Enterprise Funds		
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 368,822	\$ 805,654	\$ 6,650	\$ 1,181,126	\$ 116,264
Net Position					
Unrestricted	\$ 368,822	\$ 805,654	\$ 6,650	\$ 1,181,126	\$ 116,264

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	All Other Enterprise Funds		
Operating Receipts					
Charges for Services	\$ 1,917,422	\$ 2,275,528	\$ 467,994	\$ 4,660,944	\$ 109,561
Tap-In Fees	10,529	800	0	11,329	0
Other	1,470	3,794	0	5,264	0
<i>Total Operating Receipts</i>	<u>1,929,421</u>	<u>2,280,122</u>	<u>467,994</u>	<u>4,677,537</u>	<u>109,561</u>
Operating Disbursements					
Personal Services	382,796	334,032	14,809	731,637	0
Contractual Services	198,344	879,098	447,623	1,525,065	1,660
Materials and Supplies	171,474	71,473	1,976	244,923	0
Claims	0	0	0	0	76,272
Capital Outlay	13,238	43,320	0	56,558	0
<i>Total Operating Disbursements</i>	<u>765,852</u>	<u>1,327,923</u>	<u>464,408</u>	<u>2,558,183</u>	<u>77,932</u>
<i>Operating Income</i>	<u>1,163,569</u>	<u>952,199</u>	<u>3,586</u>	<u>2,119,354</u>	<u>31,629</u>
Non-Operating Receipts (Disbursements)					
Proceeds from Loans	13,923	0	0	13,923	0
Interest and Fiscal Charges	(334,407)	(244,696)	0	(579,103)	0
Principal Retirement	(988,657)	(1,984,910)	0	(2,973,567)	0
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,309,141)</u>	<u>(2,229,606)</u>	<u>0</u>	<u>(3,538,747)</u>	<u>0</u>
<i>Income (Loss) Before Transfers</i>	<u>(145,572)</u>	<u>(1,277,407)</u>	<u>3,586</u>	<u>(1,419,393)</u>	<u>31,629</u>
Transfers In	0	1,300,000	0	1,300,000	0
<i>Change in Net Position</i>	<u>(145,572)</u>	<u>22,593</u>	<u>3,586</u>	<u>(119,393)</u>	<u>31,629</u>
<i>Net Position Beginning of Year, Restated See Note 3</i>	<u>514,394</u>	<u>783,061</u>	<u>3,064</u>	<u>1,300,519</u>	<u>84,635</u>
<i>Net Position End of Year</i>	<u>\$ 368,822</u>	<u>\$ 805,654</u>	<u>\$ 6,650</u>	<u>\$ 1,181,126</u>	<u>\$ 116,264</u>

See accompanying notes to the basic financial statements.

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 1 – Summary of Significant Accounting Policies

The City of Delphos, Allen County, Ohio (the City), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Reporting Entity

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

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, as amended by GASB 61.

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

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

B. Basis of Presentation

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

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

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

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

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

C. Fund Accounting

The City uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the City are divided into two categories, governmental and proprietary.

Governmental Funds

The City classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following is the City’s major governmental funds:

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

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

Income Tax Fund – Per City Ordinance, this fund receives 50 percent of the City’s 1 percent 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.

State Highway Fund – This fund is used to account for intergovernmental receipts restricted for state highway repair and maintenance within the City.

Park Fund – This fund accounts for and reports the .25 percent voted income tax restricted for parks and recreation.

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

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

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

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

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

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

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

City of Delphos
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

D. Basis of Accounting

The City's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued liabilities and the related disbursements) are not recorded in these financial statements.

E. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, 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 the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Clerk. 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 final appropriations were passed by the City Council.

The appropriations ordinance 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 ordinance 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 the City Council during the year.

F. Pooled Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During fiscal year 2014, 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 2014 amounted to \$3,039 which includes \$2,401 assigned from other City funds.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

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.

G. Materials and Supplies Inventory

The City reports disbursements for inventories when paid. These items are not reflected as assets in the accompanying financial statements.

H. Prepaid Items

The City reports disbursements for prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

I. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

J. Compensated Absences

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's cash basis of accounting.

K. Long-Term Obligations

The City's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither are other financing sources nor capital outlay disbursements reported at inception. Lease payments are reported when paid.

L. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 nonoperating receipts / disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

M. Operating Receipts and Disbursements

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

N. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include primarily resources restricted for street maintenance and repairs and parks and recreation.

The City's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net positions are available.

O. 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 are 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 interfund loans.

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.

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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.

City of Delphos
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt 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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Implementation of New Accounting Principles

For the fiscal year ended December 31, 2014, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

Note 2 – Budgetary Basis of Accounting

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general, income tax, state highway and park 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 cash basis are that funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general, income tax, state highway and park funds are as follows:

	<u>General</u>	<u>Income Tax</u>	<u>State Highway</u>	<u>Park</u>
Cash Basis	\$ (47,223)	\$ (360,920)	\$ 8,580	\$ 103,408
Funds Budgeted Elsewhere*	(18)	0	0	0
Budget Basis	\$ (47,241)	\$ (360,920)	\$ 8,580	\$ 103,408

* 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 sister city and unclaimed funds.

Note 3 – Restatement of Fund Equity

A. Change in Basis of Accounting

For 2014, the City ceased to report using the generally accepted accounting principles and reported on cash basis as described in Note 1D.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the City as they were previously reported. The effects on net position of governmental and business-type activities funds are also presented.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position, December 31, 2013	\$ 4,464,244	\$ 11,403,497
Eliminate Financial Statement Adjustments:		
Taxes Receivable	(377,365)	0
Accounts Receivable	(132,855)	(1,249,884)
Intergovernmental Receivable	(247,594)	0
Income Tax Receivable	(854,197)	0
Prepaid Items	(24,978)	(30,535)
Internal Balances	26,248	(26,248)
Materials and Supplies Inventory	(14,682)	(59,545)
Non-Depreciable Capital Assets	(476,660)	(889,207)
Depreciable Capital Assets	(2,374,576)	(47,734,109)
Accounts Payable	38,104	208,434
Contracts Payable	0	8,972
Accrued Wages	40,264	10,937
Matured Compensated Absences Payable	26,501	0
Intergovernmental Payable	104,461	32,677
Accrued Interest Payable	530	28,927
Claims payable	3,498	0
Deferred Inflows - Property Taxes	368,235	0
Due within one year	153,757	3,031,474
Due in more than one year	383,121	36,565,129
Adjusted Net Position, January 1, 2014	\$ 1,106,056	\$ 1,300,519

City of Delphos
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For the Year Ended December 31, 2014
(Continued)

	General Fund	Income Tax Fund	State Highway Fund	All Other Governmental Funds	Total
Fund Balances, December 31, 2013	\$ 480,082	\$ 584,586	\$ 117,769	\$ 166,082	\$ 1,348,519
Eliminate:					
Taxes Receivable	(321,833)	0	0	(55,532)	(377,365)
Income Taxes Receivable	(631,936)	(222,261)	0	0	(854,197)
Accounts Receivable	(132,855)	0	0	0	(132,855)
Intergovernmental Receivable	(89,517)	0	(11,310)	(146,767)	(247,594)
Prepaid Items	(22,887)	(130)	0	(1,961)	(24,978)
Materials and Supplies Inventory	(1,745)	0	0	(12,937)	(14,682)
Accounts Payable	32,793	0	947	4,364	38,104
Accrued Wages	34,534	980	0	4,750	40,264
Intergovernmental Payable	74,400	1,806	0	28,255	104,461
Matured Compensated Absences Payable	26,501	0	0	0	26,501
Deferred Inflows-Property Taxes	321,833	0	0	55,532	377,365
Unavailable Revenue	529,078	102,714	7,484	98,602	737,878
Adjusted Fund Balances, January 1, 2014	<u>\$ 298,448</u>	<u>\$ 467,695</u>	<u>\$ 114,890</u>	<u>\$ 140,388</u>	<u>\$ 1,021,421</u>

	Enterprise Funds			Governmental- Activities	
	Water Fund	Sewer Fund	All Other Enterprise Funds	Internal Service Fund	
Net Position, December 31, 2013	\$ 7,047,940	\$ 4,259,929	\$ 69,380	\$ 81,137	
Eliminate:					
Accounts Receivable		(517,988)	(592,511)	(139,385)	0
Prepaid Items		(7,181)	(22,282)	(1,072)	0
Materials and Supplies Inventory		(31,445)	(28,100)	0	0
Non-Depreciable Capital Assets		(12,658)	(876,549)	0	0
Depreciable Capital Assets, Net		(21,017,564)	(26,670,205)	(46,340)	0
Accounts Payable		22,768	73,541	112,125	0
Accrued Wages		6,010	4,567	360	0
Contracts Payable		8,972	0	0	0
Intergovernmental Payable		14,362	17,345	970	0
Accrued Interest Payable		28,927	0	0	0
Claims Payable		0	0	0	3,498
Compensated Absences Payable		33,046	26,200	1,162	0
OPWC Loans Payable		16,689	0	0	0
OWDA Loans Payable		766,539	1,984,910	0	0
General Obligation Bonds Payable		202,928	0	0	0
Compensated Absences Payable - Net of Current Portion		81,032	46,879	5,864	0
OPWC Loans Payable - Net of Current Portion		154,289	0	0	0
OWDA Loans Payable - Net of Current Portion		12,446,007	22,559,337	0	0
General Obligation Bonds Payable - Net of Current Portion		1,271,721	0	0	0
Adjusted Net Position, January 1, 2014	<u>\$ 514,394</u>	<u>\$ 783,061</u>	<u>\$ 3,064</u>	<u>\$ 84,635</u>	

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.;
4. Time certificates of deposit or savings or deposit accounts, including but not limited to passbook accounts;
5. Bonds and any other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus).

City of Delphos
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

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 twenty-five percent 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, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2014, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At year-end, the carrying amount of the City's deposits was \$2,130,576. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures* as of December 31, 2014, \$1,824,308 of the City's bank balance of \$2,165,079 was exposed to custodial risk as discussed above, while \$340,771 was covered by Federal Deposit Insurance Corporation.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

Note 5 – Taxes

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax receipt received during 2014 for real and public utility property taxes represents collections of the 2013 taxes.

2014 real property taxes were levied after October 1, 2014 on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$6.75 per \$1,000 of assessed valuation. The assessed values of real property upon which 2014 property tax receipts were based are as follows:

	<u>Allen County</u>	<u>Van Wert County</u>
Real Property	\$ 64,454,290	\$ 33,409,890
Public Utilities - Real	1,900	1,400
Public Utilities - Personal	1,761,590	1,425,130
Total Assessed Value	\$ 66,217,780	\$ 34,836,420

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.

B. Income Taxes

The City levies an income tax of 1.75 percent on all income earned within the City, as well as incomes of City residents earned outside the City. Residents are granted a 0.75 percent credit on income earned and taxed by another Ohio municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

City of Delphos
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The City allocates income tax receipts to the general, income tax and park funds. Tax receipts amounted to \$2,613,105 in 2014. A new .25 percent levy was passed in 2014 with receipts going to the park fund. The remaining income tax is to be divided 67 percent to the general fund and 33 percent to the income tax fund with any disbursements of the income tax process to be charged to the income tax fund and the remainder to be transferred to the sewer fund for sewer system improvements. The .5 percent of the income tax was voter approved for safety services.

Note 8 – Risk Management

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

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

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

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

Note 9 –Leases

In 2012, the City entered into two leases for the acquisition of a dump truck and a police cruiser. Lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These disbursements are reflected as function disbursements on a budgetary basis.

Both of these leases were paid in full during 2014.

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Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

Note 10 – Long-Term Obligations

Changes in the long-term obligations of the City during 2014 were as follows:

	Outstanding 1/1/2014	Additions	Deletions	Outstanding 12/31/2014	Amounts Due In One Year
Governmental activities:					
Lease obligation	\$ 22,171	\$ 0	\$ (22,171)	\$ 0	\$ 0
Business-Type activities:					
General Obligation Bonds:					
Water plant improvement, 3.25%-4.875%	\$ 1,474,649	\$ 0	\$ (202,927)	\$ 1,271,722	\$ 211,127
<i>Total General Obligation Bonds</i>	1,474,649	0	(202,927)	1,271,722	211,127
OWDA loans:					
1995 OWDA loan, 4.35%	570,065	0	(375,952)	194,113	194,113
2005 OWDA loan, .95%	23,974,182	0	(1,608,958)	22,365,224	1,624,279
2006 OWDA loan, 2.00%	11,969,910	0	(719,260)	11,250,650	733,717
2007 OWDA loan, 4.32%	724,390	0	(17,679)	706,711	18,451
2007 OWDA loan, 2.00%	473,145	0	(29,600)	443,545	30,195
2013 OWDA loan, 2.00%	45,101	13,923	(2,503)	56,521	0
<i>Total OWDA Loans</i>	37,756,793	13,923	(2,753,952)	35,016,764	2,600,755
OPWC Loans:					
1999 OPWC loan, 0%	43,401	0	(7,890)	35,511	7,890
2007 OPWC loan, 0%	127,577	0	(8,798)	118,779	8,798
<i>Total OPWC Loans</i>	170,978	0	(16,688)	154,290	16,688
<i>Total business-type activities, long-term liabilities</i>	\$ 39,402,420	\$ 13,923	\$ (2,973,567)	\$ 36,442,776	\$ 2,828,570

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

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

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

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

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

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. There is no amortization schedule available at this time. Therefore, it has not been included in the amortization schedule below. The City's water system receipt will be used for the principal repayment. This loan matures in the year 2033.

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

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

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

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

The City has pledged future water and sewer receipts, net of specified operating disbursements to repay \$35,171,054 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 154.61 percent. The total principal and interest remaining to be paid on the loans is \$38,758,371. Principal and interest paid for the current year and total net receipts were \$3,292,744 and \$2,129,691, respectively.

City of Delphos
Allen County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The annual requirements to amortize all bonded debt and loans as of December 31, 2014 are as follows:

	General Obligation Bonds		OWDA Loans		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2015	\$ 211,127	\$ 48,799	\$ 2,600,755	\$ 473,277	\$ 16,688	\$ 2,828,570	\$ 522,076
2016	219,552	40,374	2,438,270	437,409	16,690	2,674,512	477,783
2017	228,526	31,400	2,470,389	405,291	16,689	2,715,604	436,691
2018	237,758	22,168	2,503,007	372,673	16,690	2,757,455	394,841
2019	247,364	12,562	2,536,137	339,544	16,689	2,800,190	352,106
2020-2024	127,395	2,569	13,196,126	1,182,270	47,940	13,371,461	1,184,839
2025-2029	0	0	8,888,532	313,611	22,904	8,911,436	313,611
2030-2034	0	0	191,132	52,786	0	191,132	52,786
2035-2038	0	0	135,895	10,456	0	135,895	10,456
Totals	\$ 1,271,722	\$ 157,872	\$34,960,243	\$ 3,587,317	\$ 154,290	\$ 36,386,255	\$ 3,745,189

Note 12 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2014, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 13.0 percent, respectively.

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The City's 2014 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2.0 percent during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0 percent during calendar year 2014.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$123,943, \$185,629, and \$155,722, respectively. The full amount has been contributed for 2014, 2013 and 2012. Contributions made to the Member-Directed Plan for 2014 were \$420 made by the City and \$300 made by the plan members.

Ohio Police and Fire Pension Fund

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 23.5 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$95,482 and \$61,337 for the year ended December 31, 2014, \$91,168 and \$79,985 for the year ended December 31, 2013, and \$73,767 and \$68,766 for the year ended December 31, 2012, respectively. The full amount has been contributed for 2014, 2013 and 2012.

Note 13 – Postemployment Benefits

Ohio Public Employees Retirement System

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

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the 2013 stand-alone financial report referred to below.

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 percent for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$20,657, \$14,279 and \$62,289, respectively. The full amount has been contributed for 2014, 2013 and 2012.

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

Ohio Police and Fire Pension Fund

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

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

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

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

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

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

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2014 through December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$2,513 and \$1,305 for the year ended December 31, 2014, \$18,719 and \$12,938 for the year ended December 31, 2013, and \$39,053 and \$26,909 for the year ended December 31, 2012. The full amount has been contributed for 2014, 2013 and 2012.

Note 14 – Contingencies

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

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 15 – Interfund Transfers

Transfers during 2014 consisted of the following:

Transfer To	Transfer From		
	General	Income Tax	Total
Nonmajor Governmental	\$ 205,000	\$ 0	\$ 205,000
Sewer Fund	200,000	1,100,000	1,300,000
<i>Total</i>	\$ 405,000	\$ 1,100,000	\$ 1,505,000

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

City of Delphos
Allen County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014
(Continued)

Income tax receipt is transferred to the sewer fund, per City Ordinance, for repayment of debt. The general fund transferred \$205,000 to various non-major governmental funds to provide additional resources for current operations and \$200,000 to the sewer fund for capital improvements.

Note 16 – Fund Balance

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

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

	<u>General Fund</u>	<u>Income Tax</u>	<u>State Highway Fund</u>	<u>Park Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable for:						
Unclaimed Monies	\$ 2,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,767
Restricted for:						
Street Maintenance	0	0	123,470	0	85,923	209,393
Public Safety	0	0	0	0	141,317	141,317
Economic Development	0	0	0	0	1,050	1,050
Parks and Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>103,408</u>	<u>0</u>	<u>103,408</u>
Total Restricted	<u>0</u>	<u>0</u>	<u>123,470</u>	<u>103,408</u>	<u>228,290</u>	<u>455,168</u>
Committed for:						
Guaranteed Street Bond	0	0	0	0	20,018	20,018
Income Tax	<u>0</u>	<u>106,775</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>106,775</u>
Total Committed	<u>0</u>	<u>106,775</u>	<u>0</u>	<u>0</u>	<u>20,018</u>	<u>126,793</u>
Assigned:						
Subsequent Year Appropriations	<u>237,960</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>237,960</u>
Unassigned	<u>10,498</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,498</u>
Total Fund Balance	<u>\$ 251,225</u>	<u>\$ 106,775</u>	<u>\$ 123,470</u>	<u>\$ 103,408</u>	<u>\$ 248,308</u>	<u>\$ 833,186</u>

Note 17 – Non-Compliance

Ohio Administrative Code Section 117-2-03(B) requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For the year 2015 and 2014, the City prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the City may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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Dave Yost • Auditor of State

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

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

To the City 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 cash-basis 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 years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 18, 2017, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles. We also noted, during 2014, the City elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*.

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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-003 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

Entity's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 18, 2017

**CITY OF DELPHOS
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance and Material Weakness – Inaccurate Financial Statement Reporting

Ohio Revised Code § 733.11 states, in part, the city auditor shall keep the books of the city and exhibit accurate statements of all moneys received and expended, of all property owned by the city and the income derived therefrom, and of all taxes and assessments.

The following errors were noted in the financial statements:

- In 2015 and 2014, Income tax receipts were improperly classified as Income Tax levied for General Purposes instead of being classified as Income Tax levied for Capital Projects in the amounts of \$974,073 and \$853,297, respectively, for governmental activities.
- In 2014, Ohio Public Works Commission (OPWC) activity was not properly posted resulting in the following errors affecting the governmental fund statements and the entity wide statements:
 - Transportation disbursements in the Permissive Tax Fund were understated and Capital Outlay disbursements in the Sewer Fund were overstated by \$156,408
 - Intergovernmental revenue was understated in the Permissive Tax Fund and overstated in the Sewer Fund by \$31,282
 - Transfers In were overstated in the Sewer Fund and Transfers Out were overstated in the Permissive Tax Fund by \$125,126
- For the 2014 Park Fund Budget vs. Actual Statement, final budgeted receipts were overstated by \$10,000 and expenditures were overstated by \$10,000.

Governmental Accounting Standards Board (GASB) Statement No. 54 par. 10-17 (GASB Codification 1800.170-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The following errors were noted as a result of the City not properly implementing GASB Statement No 54:

- In 2015 and 2014, the Income Tax fund was improperly classified as Restricted instead of Committed in the amounts of \$179,166 and \$106,775, respectively, for the balance remaining in the Income Tax fund not distributed per tax levy. In 2015 and 2014, in the Statement of Net Position, the Income Tax fund balance of \$179,166 and \$106,775, respectively were incorrectly classified as Restricted for Street Maintenance instead of being classified as Unrestricted Net Position.

**FINDING NUMBER 2015-001
(Continued)**

The 2014 and 2015 annual reports required audit adjustments and reclassification for proper presentation. The adjustments are reflected on the accompanying financial statements and in the City's records.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts and funds. The City Auditor should review postings each month and again at the end of the fiscal year to verify that all amounts are properly classified and posted. The City Auditor should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and inaccurate financial statements.

Official's Response:

The City will review the items noted in the finding along with the SUD form with our consultant. Shortcomings will be addressed for this year and future years.

FINDING NUMBER 2015-002

Noncompliance – Financial Statement Reporting

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the City prepared its financial statements for years 2015 and 2014 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the City may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The City should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows, equity and the disclosures required to accurately and completely present the City's financial condition.

Official's Response:

Clearly the City did not fully grasp the issues related to the conversion of our financial statements. The City will review this issue with our consultant and address any shortcomings in 2016.

FINDING NUMBER 2015-003

Material Weakness – Ohio Public Works Project Accounting and Reporting

In 2015, Ohio Public Works Commission (OPWC) paid, on the City's behalf, money to vendors for Wastewater Treatment Plant Improvements; however, the City did not properly record the receipts and expenditures related to this activity. In addition, the City should have established a separate Capital Project fund to account for the project. This resulted in an increase to Capital Outlay expenditures of \$782,328, an increase to Intergovernmental Revenue of \$232,000, and an increase to Loan Proceeds Revenue of \$550,328, all in the Sewer Fund.

By not properly recording the related receipts and expenditures for the OPWC project, the City did not properly reflect activity that benefitted the City and could potentially issue materially misstated financial statements.

Procedures should be implemented to establish appropriate funds for on-behalf activity benefitting the City and upon receipt of notices of disbursements by OPWC, the City should record receipts and corresponding capital outlay expenditures in the capital projects fund set up for the project equal to the amount disbursed by the OPWC.

Official's Response:

This item appears to be a one of issue. The City will modify the accounting of grant funds to address this issue.

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Dave Yost • Auditor of State

CITY OF DELPHOS

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 30, 2017