

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY, OHIO**

SINGLE AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2020**



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of New Philadelphia
150 East High Avenue
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of the City of New Philadelphia, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 01, 2021

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Tuscarawas County, Ohio
December 31, 2020
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Independent Auditor's Report

To Members of City Council and Management
City of New Philadelphia
Tuscarawas County, Ohio
150 E. High Avenue
New Philadelphia, OH 44663

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, street maintenance and repair fund, and the safety forces operation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
July 27, 2021

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City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

The discussion and analysis of the City of New Philadelphia's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position increased \$1,222,717, which represents a 4 percent increase from 2019. Net position of governmental activities increased \$629,844 and the net position of business-type activities increased \$592,873.
- Total capital assets increased \$62,409 during 2020. Capital assets of governmental activities increased \$290,210 and capital assets of business-type activities decreased \$227,801.
- Outstanding debt decreased from \$9,693,721 to \$8,354,913.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2020 and how they affected the operations of the City as a whole.

Reporting the City of New Philadelphia as a Whole

Statement of Net Position and the Statement of Activities

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

A question typically asked about the City's finances "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

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

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

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

Reporting the City of New Philadelphia'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, street maintenance and repair, and safety forces operation fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

The City of New Philadelphia 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 2020 compared to 2019:

Table 1
Net Position

| | Governmental Activities | | | Business-Type Activities | | |
|---|-------------------------|----------------------|--------------------|--------------------------|----------------------|--------------------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Assets | | | | | | |
| Current and Other Assets | \$ 12,763,884 | \$ 11,227,947 | \$ 1,535,937 | \$ 6,745,324 | \$ 6,136,094 | \$ 609,230 |
| Capital Assets | 36,152,372 | 35,862,162 | 290,210 | 17,158,672 | 17,386,473 | (227,801) |
| <i>Total Assets</i> | <u>48,916,256</u> | <u>47,090,109</u> | <u>1,826,147</u> | <u>23,903,996</u> | <u>23,522,567</u> | <u>381,429</u> |
| Deferred Outflows of Resources | | | | | | |
| Pension & OPEB | 4,587,914 | 7,459,381 | (2,871,467) | 734,053 | 1,345,657 | (611,604) |
| <i>Total Deferred Outflows of Resources</i> | <u>4,587,914</u> | <u>7,459,381</u> | <u>(2,871,467)</u> | <u>734,053</u> | <u>1,345,657</u> | <u>(611,604)</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 863,230 | 644,244 | 218,986 | 431,805 | 294,077 | 137,728 |
| Long-Term Liabilities: | | | | | | |
| Due within One Year | 1,069,682 | 1,019,644 | 50,038 | 750,713 | 725,000 | 25,713 |
| Due in More Than One Year: | | | | | | |
| Net Pension Liability | 15,500,395 | 19,546,008 | (4,045,613) | 2,762,506 | 4,006,907 | (1,244,401) |
| Net OPEB Liability | 4,869,046 | 4,577,644 | 291,402 | 1,865,447 | 1,854,800 | 10,647 |
| Other Amounts | 6,055,536 | 6,749,179 | (693,643) | 2,312,222 | 2,899,315 | (587,093) |
| <i>Total Liabilities</i> | <u>28,357,889</u> | <u>32,536,719</u> | <u>(4,178,830)</u> | <u>8,122,693</u> | <u>9,780,099</u> | <u>(1,657,406)</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 1,580,609 | 1,506,892 | 73,717 | - | - | - |
| Pension & OPEB | 3,620,474 | 1,190,525 | 2,429,949 | 1,044,859 | 210,501 | 834,358 |
| <i>Total Deferred Inflows of Resources</i> | <u>5,201,083</u> | <u>2,697,417</u> | <u>2,503,666</u> | <u>1,044,859</u> | <u>210,501</u> | <u>834,358</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 30,560,277 | 29,675,252 | 885,025 | 14,173,720 | 13,992,674 | 181,046 |
| Restricted | 5,903,113 | 5,616,789 | 286,324 | - | - | - |
| Unrestricted | (16,518,192) | (15,976,687) | (541,505) | 1,296,777 | 884,950 | 411,827 |
| <i>Total Net Position</i> | <u>\$ 19,945,198</u> | <u>\$ 19,315,354</u> | <u>\$ 629,844</u> | <u>\$ 15,470,497</u> | <u>\$ 14,877,624</u> | <u>\$ 592,873</u> |

Collectively, the net pension liability (NPL), reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability (NOL), pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are the largest liabilities reported by the City at December 31, 2020. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

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

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

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

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

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

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

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

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

At year end, capital assets represented 73 percent of total assets. Capital assets include land, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, infrastructure, water lines, sewer lines, and construction in progress. Capital assets, net of related debt were \$44,733,997 at December 31, 2020, with \$30,560,277 in governmental activities and \$14,173,720 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$5,903,113 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position for governmental activities is a deficit balance of \$16,518,192. The balance of unrestricted net position for business-type activities is \$1,296,777.

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

For governmental activities, the City saw an increase in current and other assets. This was primarily caused by an increase in cash and investments due to revenues exceeding expenditures in conjunction with two large refunds received near the end of the year.

Capital assets for governmental activities increased primarily due increased construction in progress for work completed and donated to the City by the Tuscora Park Foundation for the Southside Park project. Capital assets for business-type activities decreased due to the completion of several projects throughout the year.

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City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

Table 2
Changes in Net Position

| | Governmental Activities | | | Business-Type Activities | | |
|--|-------------------------|----------------------|-------------------|--------------------------|----------------------|-------------------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 2,138,740 | \$ 2,838,084 | \$ (699,344) | \$ 7,397,310 | \$ 6,784,730 | \$ 612,580 |
| Operating Grants | 3,659,833 | 1,277,992 | 2,381,841 | 18,588 | 97,470 | (78,882) |
| Capital Grants | 1,463,173 | 3,174,717 | (1,711,544) | - | - | - |
| <i>General Revenues:</i> | | | | | | |
| Property Taxes | 1,973,117 | 1,541,512 | 431,605 | - | - | - |
| Income Taxes | 7,921,771 | 8,277,892 | (356,121) | - | - | - |
| Other Local Taxes | 182,596 | 193,890 | (11,294) | - | - | - |
| Grants and Entitlements | 729,271 | 942,697 | (213,426) | - | - | - |
| Interest | 231,006 | 247,575 | (16,569) | - | - | - |
| Other | 946,170 | 264,023 | 682,147 | 208,291 | 78,765 | 129,526 |
| <i>Total Revenues</i> | <u>19,245,677</u> | <u>18,758,382</u> | <u>487,295</u> | <u>7,624,189</u> | <u>6,960,965</u> | <u>663,224</u> |
| Program Expenses | | | | | | |
| General Government | 4,994,853 | 4,549,720 | 445,133 | - | - | - |
| Security of Persons and Property | 8,413,858 | 1,157,463 | 7,256,395 | - | - | - |
| Public Health | 980,772 | 930,892 | 49,880 | - | - | - |
| Leisure Time Services | 952,617 | 1,256,495 | (303,878) | - | - | - |
| Community Development | 254,600 | 219,012 | 35,588 | - | - | - |
| Transportation | 2,912,793 | 2,836,312 | 76,481 | - | - | - |
| Interest and Fiscal Charges | 169,811 | 185,910 | (16,099) | - | - | - |
| <i>Enterprise Operations:</i> | | | | | | |
| Water | - | - | - | 3,145,120 | 2,902,557 | 242,563 |
| Sewer | - | - | - | 2,116,824 | 2,355,852 | (239,028) |
| Sanitation | - | - | - | 1,705,901 | 1,783,236 | (77,335) |
| <i>Total Program Expenses</i> | <u>18,679,304</u> | <u>11,135,804</u> | <u>7,543,500</u> | <u>6,967,845</u> | <u>7,041,645</u> | <u>(73,800)</u> |
| <i>Increase (Decrease) in Net Position</i> | 566,373 | 7,622,578 | (7,056,205) | 656,344 | (80,680) | 737,024 |
| Transfers | 63,471 | 74,986 | (11,515) | (63,471) | (74,986) | 11,515 |
| <i>Change in Net Position</i> | 629,844 | 7,697,564 | (7,067,720) | 592,873 | (155,666) | 748,539 |
| <i>Net Position Beginning of Year</i> | 19,315,354 | 11,617,780 | 7,697,574 | 14,877,624 | 15,033,290 | (155,666) |
| <i>Net Position End of Year</i> | <u>\$ 19,945,198</u> | <u>\$ 19,315,354</u> | <u>\$ 629,854</u> | <u>\$ 15,470,497</u> | <u>\$ 14,877,624</u> | <u>\$ 592,873</u> |

The City's overall net position increased \$1,222,717 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

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

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

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

The City's income tax is at a rate of 1.5 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.5 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

The City saw an increase in total governmental revenue in 2020. This was primarily due to an increase in operating grants as a result of the CARES Act funding for Coronavirus relief offset by a decrease in capital grants as a result of reduced capital contributions from the Ohio Department of Transportation (ODOT) for two ODOT let projects completed during 2019. Property taxes increased in 2020 as a result of an increase in appraised values in 2019 which the City began receiving in 2020. Other general revenues increased primarily due to the receipt of two large refunds near year-end.

Charges for services revenues and leisure time expenditures decreased in 2020 primarily due to the closure of public recreational areas as a result of the COVID-19 pandemic.

Security of persons and property increased during 2020. This significant increase in security of persons and property for police and fire is a result of OP&F changing its retiree health care model in 2019 to a stipend-based health care model thus reducing its total OPEB liability, which translated to a significant lower net OPEB liability and security of persons and property expense reported by employers in 2019.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2020, charges for services accounted for 97 percent of the business type revenues. The total expenses for the utilities decreased primarily due to fluctuations related to net pension/OPEB liabilities.

The City's Funds

Governmental Funds

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

The general fund is the chief operating fund of the City. The fund balance of the general fund increased during the current fiscal year primarily due to decreases in expenditures for security of persons and property and transportation as a result of expenditures paid from the coronavirus relief fund and reduced capital outlay in 2020.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

The street maintenance and repair fund, a major fund, had an increase in fund balance due primarily to timing of project expenditures compared to the collection of revenues for this program.

The safety forces operation fund, a major fund, increased in fund balance due primarily to expenditures paid from the coronavirus relief fund in 2020.

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 sanitation fund at the end of the year was a deficit of \$339,245 and the water and sewer funds had unrestricted net position of \$384,444 and \$1,251,578, respectively. Total change in net position for these funds was a decrease of \$100,924, a decrease of \$150,417, and increase of \$844,214, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2020, 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.

Original Budget Compared to Final Budget During the year, there was no need for any significant amendments to either the original estimated revenues or original budgeted appropriations with the exception for principal retirements and transfers out. The City paid off the Cemetery Land Purchase loan near year-end. The City increased transfers out as a result of transferring the local match requirement to the staffing for adequate fire and emergency response (SAFER) grant fund.

Final Budget Compared to Actual Results The most significant variances between final budgeted revenues was a decrease in income tax revenues and charges for services as a result of business and public area closures due to the COVID-19 pandemic. There was also an increase in other revenues resulting from the City receiving two large refunds near year-end. The most significant variances between estimated appropriations and actual expenditures were the result expenditures being paid from the Coronavirus Relief fund in conjunction with closures of public areas resulting from the COVID-19 pandemic.

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

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal year 2020 balances compared with 2019.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 1,621,119 | \$ 1,621,119 | \$ 51,892 | \$ 51,892 | \$ 1,673,011 | \$ 1,673,011 |
| Construction in Progress | 1,662,637 | 238,265 | - | 301,042 | 1,662,637 | 539,307 |
| Buildings and Building Improvements | 7,849,200 | 7,945,231 | 3,105,907 | 3,327,570 | 10,955,107 | 11,272,801 |
| Improvements Other Than Buildings | 4,790,541 | 5,026,633 | 3,131,480 | 3,330,059 | 7,922,021 | 8,356,692 |
| Machinery and Equipment | 1,659,919 | 1,695,443 | 788,956 | 757,631 | 2,448,875 | 2,453,074 |
| Furniture and Fixtures | 5,600 | 6,244 | 1,028 | 1,028 | 6,628 | 7,272 |
| Vehicles | 2,285,876 | 2,248,364 | 1,032,949 | 866,648 | 3,318,825 | 3,115,012 |
| Infrastructure | 16,277,480 | 17,080,863 | - | - | 16,277,480 | 17,080,863 |
| Sewer Lines | - | - | 3,596,641 | 3,365,546 | 3,596,641 | 3,365,546 |
| Water Lines | - | - | 5,449,819 | 5,385,057 | 5,449,819 | 5,385,057 |
| Total | \$ 36,152,372 | \$ 35,862,162 | \$ 17,158,672 | \$ 17,386,473 | \$ 53,311,044 | \$ 53,248,635 |

See Note 8 for additional information about the capital assets of the City. Significant changes in capital assets have been previously discussed.

Debt

Table 4 summarizes outstanding debt. See Note 13 for additional details.

Table 4
Outstanding Debt, at December 31

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| General Obligation Bonds | \$ 4,630,940 | \$ 4,976,737 | \$ - | \$ - | \$ 4,630,940 | \$ 4,976,737 |
| First Federal Cemetery Loan | - | 215,675 | - | - | - | 215,675 |
| ODOT Loans | 687,175 | 716,940 | - | - | 687,175 | 716,940 |
| OPWC Loans | - | - | 552,054 | 525,648 | 552,054 | 525,648 |
| OWDA Loans | - | - | 2,259,595 | 2,848,871 | 2,259,595 | 2,848,871 |
| Lease Purchases | 199,789 | 341,067 | - | - | 199,789 | 341,067 |
| Capital Leases | 25,360 | 49,503 | - | 19,280 | 25,360 | 68,783 |
| Total | \$ 5,543,264 | \$ 6,299,922 | \$ 2,811,649 | \$ 3,393,799 | \$ 8,354,913 | \$ 9,693,721 |

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020

Economic Factors

The City of New Philadelphia really held its own against the onslaught of the coronavirus and the ensuing temporary shutdown of many businesses. Our income tax collections faltered only slightly, by less than a 2 percent decrease over 2019. The City's Tuscora Park was closed for the duration of the year and our Municipal Court saw a reduction in cases, resulting in reduced revenue in these two areas. Since the park wasn't operating, we never hired seasonal help for the park, which offset the reduction in revenues there.

The City of New Philadelphia received \$1,636,000 from the Coronavirus Relief Fund. Those dollars were used to update our technology in many departments to facilitate remote access. We were also able to purchase PPE for our first responders and other employees and partially reimburse our fire, police and health departments for employees' time spent on COVID response.

Another three new firefighters were hired by the City in 2020, thanks to the \$759,330 in federal grant money for the SAFER that was awarded in 2020. This is the second SAFER grant for the City. The grant will cover 100 percent of wages and benefits over 3 years for the additional 3 firefighters beginning in 2021.

Last year, the City secured local funding for the purchase of 9 additional acres for cemetery use. In 2020 this additional land was mostly being developed to add cemetery lots, which were greatly needed. By the end of 2020 a new office building and maintenance garage had been built and the design of the new cemetery was complete.

The City welcomed several a few new businesses in 2020. One business was a brewery and the others were art-based businesses in our downtown area.

The connection of all City government buildings with fiber optic cable was completed through a contract with Horizons Network Partners. The result will be lower costs of internet services and increased speed, efficiency and security of our network. The fiber will also allow for expansion of new communication technologies in the downtown area and eventually throughout the City.

The City received grants from ODNR, OPWC and The Ohio & Erie Canalway to develop our Southside Park land. This new park will be accessible for recreation for locals as well as participation in competitive sports by our local school system. Much of the development and beautification of this area had been completed by the end of 2020.

The City is cautiously optimistic about 2021. We don't anticipate any further business shutdowns and are expecting the operations in all city departments to return to a normal level.

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 Beth Gundy, Auditor of City of New Philadelphia, 150 East High Ave., Suite 19, New Philadelphia, Ohio, 44663 or bgundy@newphilaoh.com.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Net Position
December 31, 2020

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|---|
| | Governmental Activities | Business-Type Activities | Total | New Philadelphia City Health District |
| Assets | | | | |
| Equity in Pooled Cash and Investments | \$ 7,374,938 | \$ 5,147,311 | \$ 12,522,249 | \$ 69,322 |
| Accounts Receivable | 378,487 | 976,283 | 1,354,770 | - |
| Intergovernmental Receivable | 1,447,312 | 4,172 | 1,451,484 | 64,619 |
| Property Taxes Receivable | 1,601,669 | - | 1,601,669 | - |
| Income Taxes Receivable | 1,519,666 | - | 1,519,666 | - |
| Materials and Supplies Inventory | 441,812 | 617,558 | 1,059,370 | - |
| Non-Depreciable Capital Assets | 3,283,756 | 51,892 | 3,335,648 | - |
| Depreciable Capital Assets, Net | 32,868,616 | 17,106,780 | 49,975,396 | - |
| <i>Total Assets</i> | <u>48,916,256</u> | <u>23,903,996</u> | <u>72,820,252</u> | <u>133,941</u> |
| Deferred Outflows of Resources | | | | |
| Pension | 2,760,317 | 438,052 | 3,198,369 | - |
| OPEB | 1,827,597 | 296,001 | 2,123,598 | - |
| <i>Total Deferred Outflows of Resources</i> | <u>4,587,914</u> | <u>734,053</u> | <u>5,321,967</u> | <u>-</u> |
| Liabilities | | | | |
| Accounts Payable | 109,073 | 102,566 | 211,639 | 2,695 |
| Accrued Wages | 382,654 | 108,388 | 491,042 | - |
| Contracts Payable | 164,770 | 173,303 | 338,073 | - |
| Intergovernmental Payable | 206,733 | 47,548 | 254,281 | - |
| Long-Term Liabilities: | | | | |
| Due Within One Year | 1,069,682 | 750,713 | 1,820,395 | - |
| Due In More Than One Year: | | | | |
| Net Pension Liability | 15,500,395 | 2,762,506 | 18,262,901 | - |
| Net OPEB Liability | 4,869,046 | 1,865,447 | 6,734,493 | - |
| Other Amounts Due in More Than One Year | 6,055,536 | 2,312,222 | 8,367,758 | - |
| <i>Total Liabilities</i> | <u>28,357,889</u> | <u>8,122,693</u> | <u>36,480,582</u> | <u>2,695</u> |
| Deferred Inflows of Resources | | | | |
| Property Taxes | 1,580,609 | - | 1,580,609 | - |
| Pension | 2,348,575 | 701,197 | 3,049,772 | - |
| OPEB | 1,271,899 | 343,662 | 1,615,561 | - |
| <i>Total Deferred Inflows of Resources</i> | <u>5,201,083</u> | <u>1,044,859</u> | <u>6,245,942</u> | <u>-</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 30,560,277 | 14,173,720 | 44,733,997 | - |
| Restricted for: | | | | |
| Capital Projects | 1,098,550 | - | 1,098,550 | - |
| Debt Service | 275,372 | - | 275,372 | - |
| Street Maintenance | 1,687,192 | - | 1,687,192 | - |
| Court Operations | 1,316,716 | - | 1,316,716 | - |
| Community Development | 264,310 | - | 264,310 | - |
| Other Purposes | 1,260,973 | - | 1,260,973 | - |
| Unrestricted | (16,518,192) | 1,296,777 | (15,221,415) | 131,246 |
| <i>Total Net Position</i> | <u>\$ 19,945,198</u> | <u>\$ 15,470,497</u> | <u>\$ 35,415,695</u> | <u>\$ 131,246</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Activities
For the Year Ended December 31, 2020

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit New Philadelphia City Health District |
|---|----------------------|--------------------------------------|--|--|---|-----------------------------|----------------------|---|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants, Contributions and Interest | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Governmental Activities | | | | | | | | |
| General Government | \$ 4,994,853 | \$ 1,269,869 | \$ 912,169 | \$ 307,377 | \$ (2,505,438) | \$ - | \$ (2,505,438) | \$ - |
| Security of Persons and Property | 8,413,858 | 729,261 | 1,416,167 | - | (6,268,430) | - | (6,268,430) | - |
| Public Health | 980,772 | 97,830 | 177,378 | - | (705,564) | - | (705,564) | - |
| Leisure Time Services | 952,617 | 6,930 | 34,879 | 1,060,796 | 149,988 | - | 149,988 | - |
| Community Development | 254,600 | - | - | - | (254,600) | - | (254,600) | - |
| Transportation | 2,912,793 | 34,850 | 1,119,240 | 95,000 | (1,663,703) | - | (1,663,703) | - |
| Interest and Fiscal Charges | 169,811 | - | - | - | (169,811) | - | (169,811) | - |
| <i>Total Governmental Activities</i> | <u>18,679,304</u> | <u>2,138,740</u> | <u>3,659,833</u> | <u>1,463,173</u> | <u>(11,417,558)</u> | <u>-</u> | <u>(11,417,558)</u> | <u>-</u> |
| Business-Type Activities | | | | | | | | |
| Water | 3,145,120 | 2,936,877 | - | - | - | (208,243) | (208,243) | - |
| Sewer | 2,116,824 | 2,920,562 | - | - | - | 803,738 | 803,738 | - |
| Sanitation | 1,705,901 | 1,539,871 | 18,588 | - | - | (147,442) | (147,442) | - |
| <i>Total Business-Type Activities</i> | <u>6,967,845</u> | <u>7,397,310</u> | <u>18,588</u> | <u>-</u> | <u>-</u> | <u>448,053</u> | <u>448,053</u> | <u>-</u> |
| Component Unit | | | | | | | | |
| New Philadelphia Health Department | 554,621 | 113,543 | 170,009 | - | - | - | - | (271,069) |
| <i>Total</i> | <u>\$ 26,201,770</u> | <u>\$ 9,649,593</u> | <u>\$ 3,848,430</u> | <u>\$ 1,463,173</u> | <u>(11,417,558)</u> | <u>448,053</u> | <u>(10,969,505)</u> | <u>(271,069)</u> |
| General Revenues: | | | | | | | | |
| Property Taxes Levied for: | | | | | | | | |
| General Purposes | | | | | 1,430,160 | - | 1,430,160 | - |
| Debt Service | | | | | 336,960 | - | 336,960 | - |
| Police and Fire | | | | | 205,997 | - | 205,997 | - |
| Income Taxes Levied for: | | | | | | | | |
| General Purposes | | | | | 3,446,291 | - | 3,446,291 | - |
| Police and Fire | | | | | 3,224,926 | - | 3,224,926 | - |
| Health Services | | | | | 349,653 | - | 349,653 | - |
| Street Maintenance and Repair | | | | | 599,158 | - | 599,158 | - |
| Capital Projects | | | | | 99,902 | - | 99,902 | - |
| Other Purposes | | | | | 201,841 | - | 201,841 | - |
| Other Local Taxes | | | | | 182,596 | - | 182,596 | - |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 729,271 | - | 729,271 | 384,086 |
| Interest | | | | | 231,006 | - | 231,006 | - |
| Miscellaneous | | | | | 946,170 | 208,291 | 1,154,461 | 13,045 |
| <i>Total General Revenues</i> | | | | | <u>11,983,931</u> | <u>208,291</u> | <u>12,192,222</u> | <u>397,131</u> |
| Transfers | | | | | 63,471 | (63,471) | - | - |
| <i>Total General Revenues and Transfers</i> | | | | | <u>12,047,402</u> | <u>144,820</u> | <u>12,192,222</u> | <u>397,131</u> |
| <i>Change in Net Position</i> | | | | | <u>629,844</u> | <u>592,873</u> | <u>1,222,717</u> | <u>126,062</u> |
| <i>Net Position Beginning of Year</i> | | | | | <u>19,315,354</u> | <u>14,877,624</u> | <u>34,192,978</u> | <u>5,184</u> |
| <i>Net Position End of Year</i> | | | | | <u>\$ 19,945,198</u> | <u>\$ 15,470,497</u> | <u>\$ 35,415,695</u> | <u>\$ 131,246</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Balance Sheet
Governmental Funds
December 31, 2020

| | General | Street Maintenance and Repair | Safety Forces Operation | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------------------|-------------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,726,198 | \$ 603,473 | \$ 885,424 | \$ 4,159,843 | \$ 7,374,938 |
| Accounts Receivable | 33,134 | 1,005 | - | 344,348 | 378,487 |
| Intergovernmental Receivable | 299,599 | 515,052 | - | 632,661 | 1,447,312 |
| Property Taxes Receivable | 1,091,722 | - | - | 509,947 | 1,601,669 |
| Income Taxes Receivable | 681,982 | 107,218 | 501,572 | 228,894 | 1,519,666 |
| Materials and Supplies Inventory | 114,513 | 327,299 | - | - | 441,812 |
| <i>Total Assets</i> | <u>\$ 3,947,148</u> | <u>\$ 1,554,047</u> | <u>\$ 1,386,996</u> | <u>\$ 5,875,693</u> | <u>\$ 12,763,884</u> |
| Liabilities | | | | | |
| Accounts Payable | \$ 40,194 | \$ 5,676 | \$ 21,496 | \$ 41,707 | \$ 109,073 |
| Accrued Wages | 114,247 | 36,186 | 192,882 | 39,339 | 382,654 |
| Contracts Payable | - | - | - | 164,770 | 164,770 |
| Intergovernmental Payable | 49,834 | 15,174 | 123,359 | 18,366 | 206,733 |
| <i>Total Liabilities</i> | <u>204,275</u> | <u>57,036</u> | <u>337,737</u> | <u>264,182</u> | <u>863,230</u> |
| Deferred Inflows of Resources | | | | | |
| Property Taxes Levied for the Next Year | 1,077,591 | - | - | 503,018 | 1,580,609 |
| Unavailable Revenue | 516,865 | 386,445 | 200,785 | 768,763 | 1,872,858 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,594,456</u> | <u>386,445</u> | <u>200,785</u> | <u>1,271,781</u> | <u>3,453,467</u> |
| Fund Balances | | | | | |
| Nonspendable | 166,488 | 327,299 | - | - | 493,787 |
| Restricted | - | 783,267 | 848,474 | 3,915,039 | 5,546,780 |
| Committed | 222,270 | - | - | 424,691 | 646,961 |
| Assigned | 1,030,362 | - | - | - | 1,030,362 |
| Unassigned | 729,297 | - | - | - | 729,297 |
| <i>Total Fund Balances</i> | <u>2,148,417</u> | <u>1,110,566</u> | <u>848,474</u> | <u>4,339,730</u> | <u>8,447,187</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 3,947,148</u> | <u>\$ 1,554,047</u> | <u>\$ 1,386,996</u> | <u>\$ 5,875,693</u> | <u>\$ 12,763,884</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2020

| | | |
|--|--------------------|----------------------|
| Total Governmental Fund Balances | | \$ 8,447,187 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 36,152,372 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Delinquent Property Taxes | \$ 21,060 | |
| Income Tax | 608,440 | |
| Intergovernmental | 1,028,330 | |
| Charges for Services | <u>215,028</u> | 1,872,858 |
| The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred Outflows - Pension | 2,760,317 | |
| Deferred Outflows - OPEB | 1,827,597 | |
| Deferred Inflows - Pension | (2,348,575) | |
| Deferred Inflows - OPEB | (1,271,899) | |
| Net Pension Liability | (15,500,395) | |
| Net OPEB Liability | <u>(4,869,046)</u> | (19,402,001) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | (4,515,000) | |
| Bond Premium | (115,940) | |
| ODOT Loans | (687,175) | |
| Lease Purchases | (199,789) | |
| Capital Leases | (25,360) | |
| Compensated Absences | <u>(1,581,954)</u> | <u>(7,125,218)</u> |
| <i>Net Position of Governmental Activities</i> | | <u>\$ 19,945,198</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

| | General | Street Maintenance and Repair | Safety Forces Operation | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------------------|-------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$ 1,110,818 | \$ - | \$ - | \$ 549,674 | \$ 1,660,492 |
| Income Taxes | 3,813,223 | 606,259 | 2,753,642 | 1,170,306 | 8,343,430 |
| Other Local Taxes | 129,978 | - | - | 83,642 | 213,620 |
| Charges for Services | 97,253 | - | - | 709,637 | 806,890 |
| Licenses and Permits | 33,115 | - | - | 301,571 | 334,686 |
| Fines and Forfeitures | 243,074 | - | - | 592,920 | 835,994 |
| Intergovernmental | 724,516 | 1,031,104 | - | 3,271,542 | 5,027,162 |
| Interest | 231,006 | 13,612 | - | - | 244,618 |
| Rent | 71,837 | - | - | 44,581 | 116,418 |
| Contributions and Donations | 58,353 | - | 18,308 | 12,452 | 89,113 |
| Other | 392,858 | 84,904 | 281,149 | 187,259 | 946,170 |
| <i>Total Revenues</i> | <u>6,906,031</u> | <u>1,735,879</u> | <u>3,053,099</u> | <u>6,923,584</u> | <u>18,618,593</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 2,826,975 | - | - | 1,635,989 | 4,462,964 |
| Security of Persons and Property | 2,080,894 | - | 2,437,106 | 2,552,490 | 7,070,490 |
| Public Health | 279,998 | - | - | 743,274 | 1,023,272 |
| Leisure Time Services | 598,516 | - | - | 34,879 | 633,395 |
| Community Development | - | - | - | 254,600 | 254,600 |
| Transportation | 43,893 | 1,727,647 | - | 97,458 | 1,868,998 |
| Capital Outlay | 102,354 | - | - | 898,105 | 1,000,459 |
| Debt Service: | | | | | |
| Principal Retirement | 220,342 | - | 24,143 | 521,496 | 765,981 |
| Interest and Fiscal Charges | 16,046 | - | 2,495 | 179,139 | 197,680 |
| <i>Total Expenditures</i> | <u>6,169,018</u> | <u>1,727,647</u> | <u>2,463,744</u> | <u>6,917,430</u> | <u>17,277,839</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>737,013</u> | <u>8,232</u> | <u>589,355</u> | <u>6,154</u> | <u>1,340,754</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds of Loans | 15,120 | - | - | - | 15,120 |
| Transfers In | - | - | - | 300,000 | 300,000 |
| Transfers Out | (300,000) | - | - | - | (300,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(284,880)</u> | <u>-</u> | <u>-</u> | <u>300,000</u> | <u>15,120</u> |
| <i>Net Change in Fund Balance</i> | 452,133 | 8,232 | 589,355 | 306,154 | 1,355,874 |
| <i>Fund Balance Beginning of Year</i> | <u>1,696,284</u> | <u>1,102,334</u> | <u>259,119</u> | <u>4,033,576</u> | <u>7,091,313</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 2,148,417</u> | <u>\$ 1,110,566</u> | <u>\$ 848,474</u> | <u>\$ 4,339,730</u> | <u>\$ 8,447,187</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020*

| | | |
|---|--------------|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ 1,355,874 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital Asset Additions | \$ 2,141,922 | |
| Current Year Depreciation | (1,728,190) | 413,732 |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | |
| | | (123,522) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | (19,959) | |
| Income Tax | (89,075) | |
| Intergovernmental | (70,430) | |
| Charges for Services | 44,752 | (134,712) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| General Obligation Bonds | 340,000 | |
| ODOT Loan | 44,885 | |
| Lease Purchases | 141,278 | |
| Capital Lease | 24,143 | |
| Land Purchase Loan | 215,675 | 765,981 |
| Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. | | |
| ODOT Loan | | (15,120) |
| In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued. | | |
| Accrued Interest Payable | 22,072 | |
| Amortization of Premium on Bonds | 5,797 | 27,869 |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 1,363,830 | |
| OPEB | 19,616 | 1,383,446 |
| Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | (2,329,687) | |
| OPEB | (600,964) | (2,930,651) |
| Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated Absences | (113,053) | (113,053) |
| <i>Change in Net Position of Governmental Activities</i> | | \$ 629,844 |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2020

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|-------------------|-------------------|---------------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$ 1,106,000 | \$ 1,106,000 | \$ 1,110,818 | \$ 4,818 |
| Income Taxes | 3,958,500 | 3,958,500 | 3,443,212 | (515,288) |
| Other Local Taxes | 225,000 | 225,000 | 134,003 | (90,997) |
| Charges for Services | 246,000 | 246,000 | 108,121 | (137,879) |
| Licenses and Permits | 20,000 | 20,000 | 33,115 | 13,115 |
| Fines and Forfeitures | 305,000 | 305,000 | 247,961 | (57,039) |
| Intergovernmental | 636,000 | 636,000 | 722,017 | 86,017 |
| Interest | 90,000 | 90,000 | 118,118 | 28,118 |
| Rent | 26,000 | 26,000 | 34,301 | 8,301 |
| Contributions and Donations | - | - | 7,892 | 7,892 |
| Other | 87,500 | 87,500 | 366,423 | 278,923 |
| <i>Total Revenues</i> | <u>6,700,000</u> | <u>6,700,000</u> | <u>6,325,981</u> | <u>(374,019)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 2,768,598 | 2,729,243 | 2,478,357 | 250,886 |
| Security of Persons and Property | 2,729,682 | 2,729,682 | 2,239,496 | 490,186 |
| Public Health | 366,973 | 543,973 | 274,008 | 269,965 |
| Leisure Time Services | 966,191 | 966,191 | 615,897 | 350,294 |
| Transportation | 52,316 | 52,316 | 44,227 | 8,089 |
| Capital Outlay | 63,000 | 63,000 | 51,336 | 11,664 |
| Debt Service: | | | | |
| Principal Retirement | 13,074 | 223,074 | 220,342 | 2,732 |
| Interest and Fiscal Charges | 926 | 926 | 926 | - |
| <i>Total Expenditures</i> | <u>6,960,760</u> | <u>7,308,405</u> | <u>5,924,589</u> | <u>1,383,816</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(260,760)</u> | <u>(608,405)</u> | <u>401,392</u> | <u>1,009,797</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (15,000) | (315,000) | (300,000) | 15,000 |
| <i>Net Change in Fund Balance</i> | (275,760) | (923,405) | 101,392 | 1,024,797 |
| <i>Fund Balance Beginning of Year</i> | 1,012,489 | 1,012,489 | 1,012,489 | - |
| Prior Year Encumbrances Appropriated | 38,555 | 38,555 | 38,555 | - |
| <i>Fund Balance End of Year</i> | <u>\$ 775,284</u> | <u>\$ 127,639</u> | <u>\$ 1,152,436</u> | <u>\$ 1,024,797</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance and Repair
For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---|------------------|------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Income Taxes | \$ 600,000 | \$ 600,000 | \$ 598,872 | \$ (1,128) |
| Intergovernmental | 1,099,682 | 1,099,682 | 1,049,529 | (50,153) |
| Interest | - | - | 6,527 | 6,527 |
| Other | 75,000 | 75,000 | 85,564 | 10,564 |
| <i>Total Revenues</i> | <u>1,774,682</u> | <u>1,774,682</u> | <u>1,740,492</u> | <u>(34,190)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Transportation | 2,427,184 | 2,426,553 | 1,857,578 | 568,975 |
| Debt Service: | | | | |
| Principal Retirement | 900 | 900 | - | 900 |
| <i>Total Expenditures</i> | <u>2,428,084</u> | <u>2,427,453</u> | <u>1,857,578</u> | <u>569,875</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(653,402)</u> | <u>(652,771)</u> | <u>(117,086)</u> | <u>535,685</u> |
| <i>Net Change in Fund Balance</i> | (653,402) | (652,771) | (117,086) | 535,685 |
| <i>Fund Balance Beginning of Year</i> | 697,107 | 697,107 | 697,107 | - |
| Prior Year Encumbrances Appropriated | 4,464 | 4,464 | 4,464 | - |
| <i>Fund Balance End of Year</i> | <u>\$ 48,169</u> | <u>\$ 48,800</u> | <u>\$ 584,485</u> | <u>\$ 535,685</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Operation Fund
For the Year Ended December 31, 2020

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|------------------|------------------|-------------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Income Taxes | \$ 2,249,594 | \$ 2,870,000 | \$ 2,724,218 | \$ (145,782) |
| Intergovernmental | 370,156 | - | - | - |
| Contributions and Donations | 15,109 | - | 18,308 | 18,308 |
| Other | 235,141 | 50,000 | 284,932 | 234,932 |
| <i>Total Revenues</i> | <u>2,870,000</u> | <u>2,920,000</u> | <u>3,027,458</u> | <u>107,458</u> |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | 2,991,080 | 3,015,330 | 2,312,217 | 703,113 |
| Capital Outlay | 362 | 362 | - | 362 |
| Debt Service: | | | | |
| Principal Retirement | 24,143 | 24,143 | 24,143 | - |
| Interest and Fiscal Charges | 2,495 | 2,495 | 2,495 | - |
| <i>Total Expenditures</i> | <u>3,018,080</u> | <u>3,042,330</u> | <u>2,338,855</u> | <u>703,475</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(148,080)</u> | <u>(122,330)</u> | <u>688,603</u> | <u>810,933</u> |
| <i>Net Change in Fund Balance</i> | (148,080) | (122,330) | 688,603 | 810,933 |
| <i>Fund Balance Beginning of Year</i> | 146,600 | 146,600 | 146,600 | - |
| Prior Year Encumbrances Appropriated | 14,406 | 14,406 | 14,406 | - |
| <i>Fund Balance End of Year</i> | <u>\$ 12,926</u> | <u>\$ 38,676</u> | <u>\$ 849,609</u> | <u>\$ 810,933</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

| | Enterprise Funds | | | |
|---|---------------------|---------------------|-------------------|---------------------|
| | Water | Sewer | Sanitation | Total |
| Assets | | | | |
| <i>Current Assets:</i> | | | | |
| Equity in Pooled Cash and Investments | \$ 1,426,350 | \$ 2,460,964 | \$ 1,259,997 | \$ 5,147,311 |
| Accounts Receivable | 475,702 | 500,581 | - | 976,283 |
| Intergovernmental Receivable | - | - | 4,172 | 4,172 |
| Materials and Supplies Inventory | 610,391 | 5,415 | 1,752 | 617,558 |
| <i>Total Current Assets</i> | <u>2,512,443</u> | <u>2,966,960</u> | <u>1,265,921</u> | <u>6,745,324</u> |
| <i>Non-Current Assets:</i> | | | | |
| Non-Depreciable Capital Assets | 6,845 | 35,054 | 9,993 | 51,892 |
| Depreciable Capital Assets, Net | 7,461,232 | 8,929,397 | 716,151 | 17,106,780 |
| <i>Total Non-Current Assets</i> | <u>7,468,077</u> | <u>8,964,451</u> | <u>726,144</u> | <u>17,158,672</u> |
| <i>Total Assets</i> | <u>9,980,520</u> | <u>11,931,411</u> | <u>1,992,065</u> | <u>23,903,996</u> |
| Deferred Outflows of Resources | | | | |
| Pension | 170,354 | 133,849 | 133,849 | 438,052 |
| OPEB | 114,851 | 90,240 | 90,910 | 296,001 |
| <i>Total Deferred Outflows of Resources</i> | <u>285,205</u> | <u>224,089</u> | <u>224,759</u> | <u>734,053</u> |
| Liabilities | | | | |
| <i>Current Liabilities:</i> | | | | |
| Accounts Payable | 61,489 | 13,087 | 27,990 | 102,566 |
| Accrued Wages | 40,264 | 30,519 | 37,605 | 108,388 |
| Contracts Payable | 95,000 | 78,303 | - | 173,303 |
| Intergovernmental Payable | 17,601 | 13,660 | 16,287 | 47,548 |
| Compensated Absences Payable | 55,016 | 34,111 | 20,729 | 109,856 |
| OPWC Loans Payable | 6,616 | 40,937 | - | 47,553 |
| OWDA Loans Payable | - | 593,304 | - | 593,304 |
| <i>Total Current Liabilities</i> | <u>275,986</u> | <u>803,921</u> | <u>102,611</u> | <u>1,182,518</u> |
| <i>Long-Term Liabilities:</i> | | | | |
| Compensated Absences Payable - Net of Current Portion | 64,138 | 57,551 | 19,741 | 141,430 |
| OPWC Loans Payable - Net of Current Portion | 81,011 | 423,490 | - | 504,501 |
| OWDA Loans Payable - Net of Current Portion | - | 1,666,291 | - | 1,666,291 |
| Net Pension Liability | 1,074,308 | 844,099 | 844,099 | 2,762,506 |
| Net OPEB Liability | 725,451 | 569,998 | 569,998 | 1,865,447 |
| <i>Total Long-Term Liabilities</i> | <u>1,944,908</u> | <u>3,561,429</u> | <u>1,433,838</u> | <u>6,940,175</u> |
| <i>Total Liabilities</i> | <u>2,220,894</u> | <u>4,365,350</u> | <u>1,536,449</u> | <u>8,122,693</u> |
| Deferred Inflows of Resources | | | | |
| Pension | 252,120 | 250,978 | 198,099 | 701,197 |
| OPEB | 122,817 | 125,468 | 95,377 | 343,662 |
| <i>Total Deferred Inflows of Resources</i> | <u>374,937</u> | <u>376,446</u> | <u>293,476</u> | <u>1,044,859</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 7,285,450 | 6,162,126 | 726,144 | 14,173,720 |
| Unrestricted | 384,444 | 1,251,578 | (339,245) | 1,296,777 |
| <i>Total Net Position</i> | <u>\$ 7,669,894</u> | <u>\$ 7,413,704</u> | <u>\$ 386,899</u> | <u>\$15,470,497</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

| | Enterprise Funds | | | |
|---|---------------------|---------------------|-------------------|---------------------|
| | Water | Sewer | Sanitation | Total |
| Operating Revenues | | | | |
| Charges for Services | \$ 2,936,877 | \$ 2,920,562 | \$ 1,539,871 | \$ 7,397,310 |
| Other | 97,910 | 63,863 | 46,518 | 208,291 |
| <i>Total Operating Revenues</i> | <u>3,034,787</u> | <u>2,984,425</u> | <u>1,586,389</u> | <u>7,605,601</u> |
| Operating Expenses | | | | |
| Salaries and Wages | 840,097 | 678,626 | 677,900 | 2,196,623 |
| Fringe Benefits | 468,002 | 339,926 | 418,613 | 1,226,541 |
| Contractual Services | 683,016 | 499,328 | 468,500 | 1,650,844 |
| Materials and Supplies | 730,276 | 87,563 | 46,957 | 864,796 |
| Depreciation | 423,729 | 496,018 | 93,931 | 1,013,678 |
| <i>Total Operating Expenses</i> | <u>3,145,120</u> | <u>2,101,461</u> | <u>1,705,901</u> | <u>6,952,482</u> |
| <i>Operating Income (Loss)</i> | <u>(110,333)</u> | <u>882,964</u> | <u>(119,512)</u> | <u>653,119</u> |
| Non-Operating Revenues (Expense) | | | | |
| Intergovernmental | - | - | 18,588 | 18,588 |
| Loss on Disposal of Assets | (214,366) | (197,669) | - | (412,035) |
| Interest and Fiscal Charges | - | (15,363) | - | (15,363) |
| <i>Total Non-Operating Revenues (Expense)</i> | <u>(214,366)</u> | <u>(213,032)</u> | <u>18,588</u> | <u>(408,810)</u> |
| <i>Income (Loss) Before Transfers</i> | (324,699) | 669,932 | (100,924) | 244,309 |
| Capital Contributions | 174,282 | 174,282 | - | 348,564 |
| <i>Change in Net Position</i> | (150,417) | 844,214 | (100,924) | 592,873 |
| <i>Net Position Beginning of Year</i> | <u>7,820,311</u> | <u>6,569,490</u> | <u>487,823</u> | <u>14,877,624</u> |
| <i>Net Position End of Year</i> | <u>\$ 7,669,894</u> | <u>\$ 7,413,704</u> | <u>\$ 386,899</u> | <u>\$15,470,497</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

| | Enterprise Funds | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Water | Sewer | Sanitation | Total |
| Cash Flows from Operating Activities | | | | |
| Cash Received from Customers | \$ 2,882,387 | \$ 2,854,779 | \$ 1,539,871 | \$ 7,277,037 |
| Cash Received from Other Operating Receipts | 98,528 | 64,589 | 47,147 | 210,264 |
| Cash Payments to Suppliers for Goods and Services | (701,372) | (160,977) | (61,655) | (924,004) |
| Cash Payments to Employees for Services and Benefits | (1,235,718) | (978,872) | (974,666) | (3,189,256) |
| Cash Payments for Contractual Services | (575,278) | (433,273) | (477,301) | (1,485,852) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>468,547</u> | <u>1,346,246</u> | <u>73,396</u> | <u>1,888,189</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Operating Grants Received | - | - | 18,331 | 18,331 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Proceeds of OPWC Loans | 49,564 | - | - | 49,564 |
| Acquisition of Capital Assets | (387,005) | (321,475) | - | (708,480) |
| Principal Payments on Debt | (2,689) | (629,025) | - | (631,714) |
| Interest Payments on Debt | - | (31,701) | - | (31,701) |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>(340,130)</u> | <u>(982,201)</u> | <u>-</u> | <u>(1,322,331)</u> |
| <i>Net Increase (Decrease) in Cash and Investments</i> | 128,417 | 364,045 | 91,727 | 584,189 |
| <i>Cash and Investments Beginning of Year</i> | <u>1,297,933</u> | <u>2,096,919</u> | <u>1,168,270</u> | <u>4,563,122</u> |
| <i>Cash and Investments End of Year</i> | <u>\$ 1,426,350</u> | <u>\$ 2,460,964</u> | <u>\$ 1,259,997</u> | <u>\$ 5,147,311</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | | |
| Operating Income (Loss) | \$ (110,333) | \$ 882,964 | \$ (119,512) | \$ 653,119 |
| Adjustments: | | | | |
| Depreciation | 423,729 | 496,018 | 93,931 | 1,013,678 |
| (Increase) Decrease in Assets and Deferred Outflows: | | | | |
| Accounts Receivable | (53,872) | (65,057) | 629 | (118,300) |
| Materials and Supplies Inventory | 93,933 | 784 | (1,201) | 93,516 |
| Deferred Outflows - Pension/OPEB | 215,856 | 204,742 | 191,006 | 611,604 |
| Increase (Decrease) in Liabilities and Deferred Inflows: | | | | |
| Accounts Payable | 42,709 | (8,143) | (22,298) | 12,268 |
| Accrued Wages | 1,678 | 460 | 10,272 | 12,410 |
| Compensated Absences Payable | 3,798 | 11,771 | 5,201 | 20,770 |
| Intergovernmental Payable | (5,479) | (4,602) | (1,399) | (11,480) |
| Deferred Inflows - Pension/OPEB | 274,712 | 314,306 | 245,340 | 834,358 |
| Net Pension Liability | (441,819) | (455,438) | (347,144) | (1,244,401) |
| Net OPEB Liability | 23,635 | (31,559) | 18,571 | 10,647 |
| <i>Net Cash Provided by (Used For) Operating Activities</i> | <u>\$ 468,547</u> | <u>\$ 1,346,246</u> | <u>\$ 73,396</u> | <u>\$ 1,888,189</u> |

Noncash Capital Financing Activities:

The City purchased \$32,435 and \$173,303 of capital assets on account in 2019 and 2020, respectively.

The City transferred \$214,366 and \$197,669 of construction in progress activity to governmental activities from the water and sewer funds, respectively, in 2020.

The City transferred \$174,282 and \$174,282 of construction in progress activity from governmental activities to the water and sewer funds, respectively, in 2020.

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2020

| | <u>Custodial Funds</u> |
|---|----------------------------|
| Assets | |
| Cash and Cash Equivalents in Segregated Accounts | \$ 110,289 |
| Accounts Receivable | 1,094 |
| <i>Total Assets</i> | <u>111,383</u> |
| Liabilities | |
| Intergovernmental Payable | <u>111,383</u> |
| Net Position | |
| Restricted for Individuals, Organizations and Other Governments | - |
| <i>Total Net Position</i> | <u>\$ -</u> |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2020

| | Custodial Funds |
|--|--------------------|
| Additions | |
| Fines & Forfeitures for Other Governments | \$ 797,617 |
| Deductions | |
| Fines & Forfeitures Distributions to Other Governments | 797,617 |
| <i>Change in Net Position</i> | - |
| <i>Net Position Beginning of Year</i> | - |
| <i>Net Position End of Year</i> | \$ - |

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1: REPORTING ENTITY

The City of New Philadelphia (the “City”) is a municipal corporation, established under the laws of the State of Ohio. The City operates under a Council-Mayor form of government. The Mayor, Council, Auditor, Treasurer, Law Director, and Municipal Court Judge 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 (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements 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 and 80.

The City provides various services including police and fire protection, emergency medical, water and sewer services, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) 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 the 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 for which the City approves the budget, the levying of taxes or the issuance of debt. Based on the application of these criteria, the City does have one component unit.

The following component unit and organizations are described due to their relationship to the City:

New Philadelphia City Health District

The New Philadelphia City Health District (the District) is a legally separate organization. Among its various duties, the District provides for the prompt diagnosis and control of communicable diseases. The District may also inspect business where food is manufactured, handled, stored, or offered for sale. The District is operated by a board with all members being appointed by the City. The rates charged by the District are subject to the approval of City Council. In addition, the City provides funding to the District, thus the City can impose will on the District, and the District imposes a financial burden to the City. Therefore, the District is considered a discretely presented component unit of the City of New Philadelphia. During 2020, the City paid \$375,000 in expenses on behalf of the District. This is reported as Public Health on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Separately issued financial statements can be obtained from the New Philadelphia City Health District at 150 East High Avenue, New Philadelphia, Ohio, 44663.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

Jointly Governed Organizations and Related Organization

The City is associated with certain organizations which are defined as jointly governed organizations and a related organization. These organizations are presented in the notes to the basic financial statements (See Notes 19 and 20). These organizations are:

Community Improvement Corporation of Tuscarawas County
Tuscarawas County Drug Enforcement Task Force
Ohio Mid-Eastern Governments Association (OMEGA)
Tax Incentive Review Council (TIRC)
Tuscora Park Foundation

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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Tuscarawas County, Ohio
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For the Year Ended December 31, 2020

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. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

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

Street Maintenance and Repair Fund The street maintenance and repair special revenue fund is used to account for state gasoline tax, motor vehicle registration fees, and income taxes designated for maintenance of streets within the City.

Safety Forces Operation Fund The safety forces operation special revenue fund is used to account for revenues and expenditures used to provide security for persons and property.

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 fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund type:

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

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

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

Sanitation Fund – The sanitation fund accounts for the provision of sanitation service to the residents and commercial users within the City.

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Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's custodial funds account for court collections that are distributed to various other governmental entities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

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

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

E. Pooled Cash and Investments

To improve cash management, all 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. Each fund's interest in the pool is presented as "equity in pooled cash and investments."

Investments are reported at fair value with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During 2020, investments were limited to certificates of deposit, federal securities and commercial paper.

STAR Plus is a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund (including unrealized gains/losses on investments) during 2020 amounted to \$231,006, where \$207,306 was assigned from other funds.

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

F. Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

G. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> | <u>Business-Type Activities Estimated Lives</u> |
|-------------------------------------|--|---|
| Buildings and Building Improvements | 20-50 Years | 20-50 Years |
| Improvements Other Than Buildings | 10-50 Years | 10-50 Years |
| Machinery and Equipment | 10-30 Years | 10-30 Years |
| Furniture and Fixtures | 10-30 Years | 20 Years |
| Vehicles | 10 Years | 10 Years |
| Infrastructure | 40-50 Years | 40-50 Years |

The City's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, sewer lines, and water lines.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

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

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accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2020, there was no net position restricted by enabling legislation.

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

L. Fund Balance

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

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

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

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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 has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

M. Operating Revenues and Expenses

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

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, of grants or outside contributions of resources restricted to capital acquisition and construction.

O. Interfund Activity

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

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Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

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

Q. Budgetary Data

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

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

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

R. Estimates

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

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NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and major special revenue funds.

Net Change in Fund Balance

| | General | Street Maintenance and Repair | Safety Forces Operation |
|---|------------|----------------------------------|----------------------------|
| GAAP Basis | \$ 452,133 | \$ 8,232 | \$ 589,355 |
| Net Adjustment for Revenue Accruals | (123,423) | 4,613 | (25,641) |
| Net Adjustment for Expenditure Accruals | (128,320) | (123,372) | 159,740 |
| Funds Budgeted Elsewhere ** | (26,512) | - | - |
| Adjustment for Encumbrances | (72,486) | (6,559) | (34,851) |
| Budget Basis | \$ 101,392 | \$ (117,086) | \$ 688,603 |

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed monies, income tax administration and collection, municipal court computer, airport capital improvement funds, and profit sharing lots.

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NOTE 4: DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

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6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

The City has segregated bank accounts for monies held separately from the City's pooled accounts. These depository accounts are presented on the financial statements as "cash in segregated accounts" since they are not required to be deposited into the City's treasury.

Cash on Hand - At December 31, 2020 the City had \$300 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Investments."

Deposits - At year-end, \$6,218,355 of the City's bank balance of \$6,845,363 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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

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

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Investments

As of December 31, 2020, the City had the following investments and maturities:

| Rating | Investment | Measurement Amount | Investment Maturities in Months | | | % Total |
|--------|--|-----------------------|------------------------------------|---------------------|---------------------|---------------|
| | | | 0-12 | 13-36 | Over 36 | |
| | Net Asset Value (NAV): | | | | | |
| AAAm | First American Government Obligations | \$ 318,253 | \$ 318,253 | \$ - | \$ - | 4.82% |
| | Fair Value: | | | | | |
| Aaa | Federal Farm Credit Bank | 1,256,937 | - | 864,883 | 392,054 | 19.04% |
| Aaa | Federal National Mortgage Association MTN | 424,278 | - | 175,070 | 249,208 | 6.43% |
| N/A | Negotiable Certificates of Deposit | 4,003,059 | 500,411 | 2,338,127 | 1,164,521 | 60.63% |
| P-1 | Commerical Paper | 599,517 | 599,517 | - | - | 9.08% |
| | Total Investments | <u>\$ 6,602,044</u> | <u>\$ 1,418,181</u> | <u>\$ 3,378,080</u> | <u>\$ 1,805,783</u> | <u>100.0%</u> |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2020. The City's investments measured at fair value are Level 2 since valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data.

The City has a formal investment policy. The objective of the policy shall be the preservation of capital and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. All investments are in an internal investment pool.

Interest Rate Risk The City has no investment policy to address interest rate risk in place at this time.

Credit Risk: S&P Global Ratings and Moody's Investors are included in the table above for each investment.

Concentration of Credit Risk The table above includes the percentage to total of each investment type held by the City at December 31, 2020.

NOTE 5: PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2020 for real and public utility property taxes represents collections of the 2019 taxes.

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

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

The full tax rate for all City operations for the year ended December 31, 2020, was \$4.70 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------------------|----------------------------------|
| Real Property | \$ 373,567,480 |
| Public Utilities - Real | 26,150 |
| Public Utilities - Personal | <u>13,585,310</u> |
| Total Assessed Value | <u><u>\$ 387,178,940</u></u> |

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2020, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6: RECEIVABLES

Receivables at December 31, 2020 consisted of taxes, accounts (billed and unbilled user charged services) and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts and intergovernmental receivables are deemed collectible in full.

NOTE 7: INCOME TAX

The City levies a municipal income tax of 1.5 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to 1.5 percent for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Effective July 1, 2005, the electors approved the one-half (1/2) percent to be used for safety forces operations. The remaining one percent provides for general municipal operations. The street lighting special revenue fund and income tax administration fund receive an allocation from the income tax that is established annually by Council. For 2020, the balance was allocated 69 percent to the general fund, 12 percent to the street maintenance and repair special revenue fund, 10 percent to the police and fire pension special revenue fund, 2 percent to the master capital fund, and 7 percent to the cemetery special revenue fund.

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NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2020 follows:

| | Balance 12/31/2019 | Additions | Deletions | Balance 12/30/2020 |
|--|--------------------------|------------------------|-------------------------|--------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land | \$ 1,621,119 | \$ - | \$ - | \$ 1,621,119 |
| Construction in progress | 238,265 | 1,447,359 | (22,987) | 1,662,637 |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>1,859,384</u> | <u>1,447,359</u> | <u>(22,987)</u> | <u>3,283,756</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | |
| Buildings and Building Improvements | 12,996,014 | 192,834 | - | 13,188,848 |
| Improvements Other than Buildings | 8,526,549 | - | - | 8,526,549 |
| Machinery and Equipment | 5,681,549 | 243,730 | (161,130) | 5,764,149 |
| Furniture and Fixtures | 110,091 | - | - | 110,091 |
| Vehicles | 5,680,036 | 280,986 | - | 5,961,022 |
| Infrastructure | 35,720,553 | - | - | 35,720,553 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>68,714,792</u> | <u>717,550</u> | <u>(161,130)</u> | <u>69,271,212</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings and Building Improvements | (5,050,783) | (288,865) | - | (5,339,648) |
| Improvements Other than Buildings | (3,499,916) | (236,092) | - | (3,736,008) |
| Machinery and Equipment | (3,986,106) | (155,732) | 37,608 | (4,104,230) |
| Furniture and Fixtures | (103,847) | (644) | - | (104,491) |
| Vehicles | (3,431,672) | (243,474) | - | (3,675,146) |
| Infrastructure | (18,639,690) | (803,383) | - | (19,443,073) |
| <i>Total Accumulated Depreciation</i> | <u>(34,712,014)</u> | <u>(1,728,190) *</u> | <u>37,608</u> | <u>(36,402,596)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>34,002,778</u> | <u>(1,010,640)</u> | <u>(123,522)</u> | <u>32,868,616</u> |
| <i>Total Governmental Activities Capital Assets, Net</i> | <u>\$ 35,862,162</u> | <u>\$ 436,719</u> | <u>\$ (146,509)</u> | <u>\$ 36,152,372</u> |

*Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------|
| General Government | \$ 174,369 |
| Security of Persons and Property | 335,743 |
| Leisure Time Services | 234,023 |
| Transportation | 971,353 |
| Public Health | 12,702 |
| Total | \$ 1,728,190 |

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| | Balance 12/31/2019 | Additions | Deletions | Balance 12/30/2020 |
|---|-----------------------|---------------------|----------------------|-----------------------|
| Business-Type Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land | \$ 51,892 | \$ - | \$ - | \$ 51,892 |
| Construction in progress | 301,042 | 1,083,745 | (1,384,787) | - |
| <i>Total Capital Assets Not Being Depreciated</i> | <u>352,934</u> | <u>1,083,745</u> | <u>(1,384,787)</u> | <u>51,892</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | |
| Buildings and Building Improvements | 9,853,371 | - | - | 9,853,371 |
| Improvements Other than Buildings | 6,903,852 | - | - | 6,903,852 |
| Machinery and Equipment | 5,175,161 | 80,536 | - | 5,255,697 |
| Furniture and Fixtures | 20,554 | - | - | 20,554 |
| Vehicles | 2,671,100 | 314,081 | - | 2,985,181 |
| Sewer Lines | 6,876,133 | 346,151 | - | 7,222,284 |
| Water Lines | 15,000,361 | 346,151 | - | 15,346,512 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>46,500,532</u> | <u>1,086,919</u> | <u>-</u> | <u>47,587,451</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings and Building Improvements | (6,525,801) | (221,663) | - | (6,747,464) |
| Improvements Other than Buildings | (3,573,793) | (198,579) | - | (3,772,372) |
| Machinery and Equipment | (4,417,530) | (49,211) | - | (4,466,741) |
| Furniture and Fixtures | (19,526) | - | - | (19,526) |
| Vehicles | (1,804,452) | (147,780) | - | (1,952,232) |
| Sewer Lines | (3,510,587) | (115,056) | - | (3,625,643) |
| Water Lines | (9,615,304) | (281,389) | - | (9,896,693) |
| <i>Total Accumulated Depreciation</i> | <u>(29,466,993)</u> | <u>(1,013,678)</u> | <u>-</u> | <u>(30,480,671)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>17,033,539</u> | <u>73,241</u> | <u>-</u> | <u>17,106,780</u> |
| <i>Total Business-Type Activities Capital Assets, Net</i> | <u>\$ 17,386,473</u> | <u>\$ 1,156,986</u> | <u>\$(1,384,787)</u> | <u>\$ 17,158,672</u> |

NOTE 9: 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; injuries to employees and natural disasters. During 2020, the City contracted with several companies for various types of insurance as follows:

| Company | Type of Coverage | Deductible |
|--------------------------|--------------------------------|--|
| One Beacon Insurance Co. | Public Officials Liability | \$ 5,000 |
| | Law Enforcement Liability | 5,000 |
| | Building and Personal Property | 5,000 |
| | Boiler and Machinery | 5,000 |
| | Commercial Inland Marine | 1,000 |
| | Commercial Auto | \$250 comprehensive \$1,000 collision on select vehicles |
| | General Liability | None |

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There has been no reduction in coverage from the prior year. Settled claims did not exceed coverage in any of the last three years.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

NOTE 10: DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

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The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a benefit recipient has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$806,950 for 2020. Of this amount, \$62,985 is reported as an intergovernmental payable.

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

Full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index 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 3 percent of their base pension or disability benefit.

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

| | Police | Firefighters |
|--|-------------|--------------|
| 2020 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2020 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-Employment Health Care Benefits | 0.50 % | 0.50 % |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$847,383 for 2020. Of this amount, \$108,747 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | OPERS | OP&F | Total |
|--|-------------------|------------------|---------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Period | 0.038823% | 0.157192% | |
| Prior Measurement Period | 0.039541% | 0.155874% | |
| Change in Proportion | <u>-0.000718%</u> | <u>0.001318%</u> | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$ 7,673,629 | \$ 10,589,272 | \$ 18,262,901 |
| Pension Expense | \$ 1,226,316 | \$ 1,463,885 | \$ 2,690,201 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS | OP&F | Total |
|---|---------------------|---------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ - | \$ 400,841 | \$ 400,841 |
| Changes of Assumptions | 409,861 | 259,939 | 669,800 |
| Changes in Proportionate Share | - | 473,395 | 473,395 |
| City Contributions Subsequent | | | |
| to the Measurement Date | 806,950 | 847,383 | 1,654,333 |
| Total Deferred Outflows of Resources | <u>\$ 1,216,811</u> | <u>\$ 1,981,558</u> | <u>\$ 3,198,369</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ 97,023 | \$ 546,132 | \$ 643,155 |
| Net Difference between Projected and Actual | | | |
| Earnings on Pension Plan Investments | 1,530,717 | 511,547 | 2,042,264 |
| Changes in Proportionate Share | 173,134 | 191,219 | 364,353 |
| Total Deferred Inflows of Resources | <u>\$ 1,800,874</u> | <u>\$ 1,248,898</u> | <u>\$ 3,049,772</u> |

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\$1,654,333 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|-----------------------|---------------------|-----------------------|
| 2021 | \$ (318,459) | \$ 13,360 | \$ (305,099) |
| 2022 | (528,144) | 53,821 | (474,323) |
| 2023 | 63,386 | 287,611 | 350,997 |
| 2024 | (607,796) | (428,851) | (1,036,647) |
| 2025 | - | (40,664) | (40,664) |
| | <u>\$ (1,391,013)</u> | <u>\$ (114,723)</u> | <u>\$ (1,505,736)</u> |

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019 are presented below.

| <u>Actuarial Information</u> | <u>Traditional Pension Plan</u> |
|---|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including wage inflation | 3.25 percent to 10.75 percent (including wage inflation) |
| Investment Rate of Return | |
| Current Measurement Date | 7.20 percent |
| Prior Measurement Date | 7.20 percent |
| Actuarial Cost Method | Individual Entry Age |
| Cost-of-Living Adjustments | Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2020, then 2.15 percent Simple |

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------|------------------------------|---|
| Fixed Income | 25.00 % | 1.83 % |
| Domestic Equities | 19.00 | 5.75 |
| Real Estate | 10.00 | 5.20 |
| Private Equity | 12.00 | 10.70 |
| International Equities | 21.00 | 7.66 |
| Other Investments | 13.00 | 4.98 |
| Total | <u>100.00 %</u> | <u>5.61 %</u> |

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Discount Rate The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|--------------|
| City's Proportionate Share of the Net Pension Liability | \$ 12,656,298 | \$ 7,673,629 | \$ 3,194,356 |

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below:

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.00 percent |
| Projected Salary Increases | 3.75 percent to 10.50 percent |
| Payroll Growth | 3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent |
| Cost-of-Living Adjustments | 3.00 percent simple; 2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent |

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

| Asset Class | Target Allocation | 10 Year Expected Real Rate of Return** | 30 Year Expected Real Rate of Return** |
|---------------------------------|----------------------|--|--|
| Cash and Cash Equivalents | - % | 0.10 % | 1.00 % |
| Domestic Equity | 16.00 | 3.90 | 5.40 |
| Non-U.S. Equity | 16.00 | 4.70 | 5.80 |
| Private Markets | 8.00 | 6.10 | 8.00 |
| Core Fixed Income* | 23.00 | 1.10 | 2.70 |
| High Yield Fixed Income | 7.00 | 2.50 | 4.70 |
| Private Credit | 5.00 | 4.80 | 5.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 0.40 | 2.50 |
| Midstream Energy Infrastructure | 8.00 | 5.80 | 6.60 |
| Real Assets | 8.00 | 6.90 | 7.40 |
| Private Real Estate | 12.00 | 5.40 | 6.40 |
| Total | <u>120.00 %</u> | | |

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected inflation

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

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|--------------|
| City's Proportionate Share of the Net Pension Liability | \$ 14,676,364 | \$ 10,589,272 | \$ 7,170,826 |

NOTE 11: DEFINED BENEFIT OPEB PLANS

See Note 10 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$19,616 for 2020. Of this amount, \$2,518 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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| | OPERS | OP&F | Total |
|---------------------------------------|--------------|--------------|--------------|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Period | 0.037515% | 0.157192% | |
| Prior Measurement Period | 0.038450% | 0.155874% | |
| Change in Proportion | -0.000935% | 0.001318% | |
| Proportionate Share of the Net | | | |
| OPEB Liability | \$ 5,181,796 | \$ 1,552,697 | \$ 6,734,493 |
| OPEB Expense | \$ 546,079 | \$ 197,082 | \$ 743,161 |

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS | OP&F | Total |
|---|-------------------|---------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Differences between Expected and Actual Experience | | | |
| Actual Experience | \$ 140 | \$ - | \$ 140 |
| Changes of Assumptions | 820,222 | 907,767 | 1,727,989 |
| Changes in Proportionate Share | 7,916 | 367,937 | 375,853 |
| City Contributions Subsequent to the Measurement Date | - | 19,616 | 19,616 |
| Total Deferred Outflows of Resources | <u>\$ 828,278</u> | <u>\$ 1,295,320</u> | <u>\$ 2,123,598</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and Actual Experience | | | |
| Actual Experience | \$ 473,899 | \$ 166,978 | \$ 640,877 |
| Net Difference between Projected and Actual | | | |
| Earnings on OPEB Plan Investments | 263,855 | 71,449 | 335,304 |
| Changes of Assumptions | - | 330,903 | 330,903 |
| Changes in Proportionate Share | 131,167 | 177,310 | 308,477 |
| Total Deferred Inflows of Resources | <u>\$ 868,921</u> | <u>\$ 746,640</u> | <u>\$ 1,615,561</u> |

\$19,616 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|--------------------|-------------------|-------------------|
| 2021 | \$ 40,237 | \$ 100,339 | \$ 140,576 |
| 2022 | 31,658 | 100,338 | 131,996 |
| 2023 | 211 | 114,997 | 115,208 |
| 2024 | (112,749) | 91,889 | (20,860) |
| 2025 | - | 88,564 | 88,564 |
| Thereafter | - | 32,937 | 32,937 |
| | <u>\$ (40,643)</u> | <u>\$ 529,064</u> | <u>\$ 488,421</u> |

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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, Including Inflation | 3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent) |
| Single Discount Rate: | |
| Current Measurement Date | 3.16 percent |
| Prior Measurement Date | 3.96 percent |
| Investment Rate of Return | |
| Current Measurement Date | 6.00 percent |
| Prior Measurement Date | 6.00 percent |
| Municipal Bond Rate | |
| Current Measurement Date | 2.75 percent |
| Prior Measurement Date | 3.71 percent |
| Health Care Cost Trend Rate | |
| Current Measurement Date | 10.50 percent, initial, 3.50 percent ultimate in 2030 |
| Prior Measurement Date | 10.00 percent, initial, 3.25 percent ultimate in 2029 |
| Actuarial Cost Method | Individual Entry Age Normal |

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

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

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During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-------------------------------|------------------------------|---|
| Fixed Income | 36.00 % | 1.53 % |
| Domestic Equities | 21.00 | 5.75 |
| Real Estate Investment Trusts | 6.00 | 5.69 |
| International Equities | 23.00 | 7.66 |
| Other Investments | <u>14.00</u> | <u>4.90</u> |
| Total | <u>100.00 %</u> | <u>4.55 %</u> |

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 6,781,211 | \$ 5,181,796 | \$ 3,901,185 |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 5,028,886 | \$ 5,181,796 | \$ 5,332,757 |

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

| | |
|----------------------------|--|
| Valuation Date | January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019 |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Projected Salary Increases | 3.75 percent to 10.50 percent |
| Payroll Growth | 3.25 percent |
| Investment Rate of Return | |
| Current Measurement Date | 8.00 percent |
| Prior Measurement Date | 8.00 percent |
| Single Discount Rate: | |
| Current Measurement Date | 3.56 percent |
| Prior Measurement Date | 4.66 percent |
| Municipal Bond Rate | |
| Current Measurement Date | 2.75 percent |
| Prior Measurement Date | 4.13 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.20 percent simple for increases based on the lessor of the increase in CPI and 3.00 percent |

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2019, are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10 Year Expected Real Rate of Return**</u> | <u>30 Year Expected Real Rate of Return**</u> |
|---------------------------------|------------------------------|---|---|
| Cash and Cash Equivalents | - % | 0.10 % | 1.00 % |
| Domestic Equity | 16.00 | 3.90 | 5.40 |
| Non-U.S. Equity | 16.00 | 4.70 | 5.80 |
| Private Markets | 8.00 | 6.10 | 8.00 |
| Core Fixed Income* | 23.00 | 1.10 | 2.70 |
| High Yield Fixed Income | 7.00 | 2.50 | 4.70 |
| Private Credit | 5.00 | 4.80 | 5.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 0.40 | 2.50 |
| Midstream Energy Infrastructure | 8.00 | 5.80 | 6.60 |
| Real Assets | 8.00 | 6.90 | 7.40 |
| Private Real Estate | 12.00 | 5.40 | 6.40 |
| Total | <u>120.00 %</u> | | |

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected inflation

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

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

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Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 1,925,244 | \$ 1,552,697 | \$ 1,243,137 |

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 12: OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City contracts with AultCare for major medical insurance, Vision Service Plan for vision insurance for all full-time employees, and AFSCME Care Plan for full-time AFSCME union employees. The City pays \$2 for single eye care, \$5 for family eye care and \$26 for dental insurance premiums. Employees have an HSA health care plan. The City pays \$615 for single care and \$1,404 for family care.

These premiums are paid from the same funds that pay the employees' salaries. The City provides life insurance and accidental death and dismemberment insurance to all full-time employees through American United Life.

B. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn two to five weeks of vacation per year, depending upon length of service. Vacation accumulation is limited to one year for all employees except for members of the police and fire unions who can accumulate unlimited vacation. All accumulated unused vacation time is paid upon termination of employment with the exclusion of non-bargaining employees.

Employees earn sick leave at the rate of 4.6 hours for every 80 hours worked for City employees and police officers, and at a rate of 13.85 hours for every 104 hours of service for firefighters. Sick leave accumulation is limited based on years of service and is paid upon retirement. As of December 31, 2020, the total liability for unpaid compensated absences was \$1,833,240.

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NOTE 13: LONG-TERM OBLIGATIONS

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity |
|--|------------------|--------------------------|-------------------|
| Governmental Activities | | | |
| City Improvement Refunding Bonds - 2013 | 1.0-2.1 | \$ 1,545,000 | December 1, 2021 |
| Fire Station Construction Serial & Term Bonds - 2016 | 1.0-4.0 | 5,000,000 | December 1, 2040 |
| Ohio Department of Transportation Loan - 2014 | 3.00 | 352,000 | July 1, 2024 |
| Ohio Department of Transportation Loan - 2018 | 3.00 | 504,000 | November 15, 2038 |
| First Federal Cemetery Loan | 4.44 | 228,004 | April 25, 2038 |
| Business-Type Activities | | | |
| Ohio Public Works Commission - 2003 | - | \$ 350,000 | January 1, 2024 |
| Ohio Public Works Commission - 2004 | - | 100,000 | July 1, 2025 |
| Ohio Public Works Commission - 2008 | - | 60,591 | January 1, 2024 |
| Ohio Public Works Commission - 2016 | - | 387,969 | July 1, 2039 |
| Ohio Public Works Commission - 2017 | - | 11,317 | January 1, 2048 |
| Ohio Public Works Commission - 2020 | - | 49,564 | January 1, 2041 |
| Ohio Water Development Water Authority - 2001 | - | 8,238,264 | July 1, 2023 |
| Ohio Water Development Water Authority - 2002 | - | 1,645,800 | July 1, 2023 |
| Ohio Water Development Water Authority - 2003 | 3.53 | 870,558 | July 1, 2023 |
| Ohio Water Development Water Authority - 2005 | 4.25 | 211,630 | July 1, 2030 |
| Ohio Water Development Water Authority - 2013 | 3.29 | 634,069 | January 1, 2034 |

Changes in the long-term obligations of the City during 2020 were as follows:

| | Amount Outstanding 12/31/2019 | Additions | (Reductions) | Amount Outstanding 12/30/2020 | Amounts Due in One Year |
|--|-------------------------------------|-------------------|-----------------------|-------------------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| 2013 City Improvement Refunding Bonds | \$ 360,000 | \$ - | \$ (180,000) | \$ 180,000 | \$ 180,000 |
| 2016 Fire Station Construction Bonds | | | | | |
| Serial and Term Bonds | 4,495,000 | - | (160,000) | 4,335,000 | 160,000 |
| Unamortized Premium | 121,737 | - | (5,797) | 115,940 | - |
| <i>Total General Obligation Bonds</i> | <u>4,976,737</u> | <u>-</u> | <u>(345,797)</u> | <u>4,630,940</u> | <u>340,000</u> |
| Direct Borrowings: | | | | | |
| Ohio Department of Transportation-West High Widening | 212,940 | - | (44,885) | 168,055 | 46,242 |
| Ohio Department of Transportation-12-bay Hanger | 504,000 | 15,120 | - | 519,120 | 22,126 |
| First Federal Cemetery Loan | 215,675 | - | (215,675) | - | - |
| Lease Purchases | 341,067 | - | (141,278) | 199,789 | 132,869 |
| <i>Total Direct Borrowings</i> | <u>1,273,682</u> | <u>15,120</u> | <u>(401,838)</u> | <u>886,964</u> | <u>201,237</u> |
| Other Long-Term Obligations | | | | | |
| Pension | 19,546,008 | - | (4,045,613) | 15,500,395 | - |
| OPEB | 4,577,644 | 291,402 | - | 4,869,046 | - |
| Compensated Absences | 1,468,901 | 574,663 | (461,610) | 1,581,954 | 503,085 |
| Capital Leases | 49,503 | - | (24,143) | 25,360 | 25,360 |
| <i>Total Other Long-Term Obligations</i> | <u>25,642,056</u> | <u>866,065</u> | <u>(4,531,366)</u> | <u>21,976,755</u> | <u>528,445</u> |
| <i>Total Governmental Activities</i> | <u>\$ 31,892,475</u> | <u>\$ 881,185</u> | <u>\$ (5,279,001)</u> | <u>\$ 27,494,659</u> | <u>\$ 1,069,682</u> |

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| | Amount Outstanding 12/31/2019 | Additions | (Reductions) | Amount Outstanding 12/30/2020 | Amounts Due in One Year |
|---|-------------------------------------|-------------------|-----------------------|-------------------------------------|-------------------------------|
| Business-Type Activities: | | | | | |
| Direct Borrowings: | | | | | |
| OPWC Loans: | | | | | |
| Ohio Public Works Commission Loan | | | | | |
| Waste Water Treatment Plant Improvements | \$ 78,750 | \$ - | \$ (8,750) | \$ 70,000 | \$ 17,500 |
| Ohio Public Works Commission Loan - Clearwell | 30,000 | - | (2,500) | 27,500 | 5,000 |
| Ohio Public Works Commission -Bluebell Pump Station | 18,177 | - | (2,020) | 16,157 | 4,039 |
| Ohio Public Works Commission -WTP Backwash | 10,752 | - | (189) | 10,563 | 377 |
| Ohio Public Works Commission -WWTP Headworks Upgrade | 387,969 | - | (9,699) | 378,270 | 19,398 |
| Ohio Public Works Commission -Wabash Avenue Improvement | - | 49,564 | - | 49,564 | 1,239 |
| Total OPWC Loans | <u>525,648</u> | <u>49,564</u> | <u>(23,158)</u> | <u>552,054</u> | <u>47,553</u> |
| OWDA Loans: | | | | | |
| Ohio Water Development Authority Loan - Sewer Plant Expansion and Upgrade | 1,674,107 | - | (417,273) | 1,256,834 | 418,108 |
| Ohio Water Development Authority Loan - Bass Lake Project | 329,160 | - | (82,290) | 246,870 | 82,290 |
| Ohio Water Development Authority Loan - Waste Water Treatment Plant Improvements | 225,907 | - | (53,548) | 172,359 | 55,455 |
| Ohio Water Development Authority Loan - Sewer Loan | 120,482 | - | (8,798) | 111,684 | 9,176 |
| Ohio Water Development Authority Loan - 5 Points Storm Sewer | 499,215 | - | (27,367) | 471,848 | 28,275 |
| Total OWDA Loans | <u>2,848,871</u> | <u>-</u> | <u>(589,276)</u> | <u>2,259,595</u> | <u>593,304</u> |
| Total Direct Borrowings | <u>3,374,519</u> | <u>49,564</u> | <u>(612,434)</u> | <u>2,811,649</u> | <u>640,857</u> |
| Other Long-Term Obligations: | | | | | |
| Net Pension Liability | 4,006,907 | - | (1,244,401) | 2,762,506 | - |
| Net OPEB Liability | 1,854,800 | 10,647 | - | 1,865,447 | - |
| Compensated Absences | 230,516 | 114,056 | (93,286) | 251,286 | 109,856 |
| Capital Leases | 19,280 | - | (19,280) | - | - |
| Total Other Long-Term Obligations | <u>6,111,503</u> | <u>124,703</u> | <u>(1,356,967)</u> | <u>4,879,239</u> | <u>109,856</u> |
| Total Business-Type Activities | <u>\$ 9,486,022</u> | <u>\$ 174,267</u> | <u>\$ (1,969,401)</u> | <u>\$ 7,690,888</u> | <u>\$ 750,713</u> |

The governmental activities general obligations bonds are being repaid from the bond retirement and fire station bond retirement funds. The West High widening ODOT loan and the hanger ODOT loan are being repaid from the master capital and airport capital improvement funds, respectively. The land purchase loan was repaid from the Evergreen Burial Park fund and general fund. Governmental activities capital leases and lease purchases are being repaid from the fire capital equipment, municipal court computer improvement, safety forces and general funds. Compensated absences liabilities are paid from the fund which pays the employees' salary. For governmental activities, this is primarily the general, safety forces operations, income tax, street maintenance and repair, and cemetery funds.

The business-type activities OPWC and OWDA loans are being repaid from the water and sewer funds. The business-type activities capital leases are being repaid from the water, sewer and sanitation funds. The water, sewer and sanitation funds pay compensated absences liabilities for the business-type activities.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

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Governmental Activities:

General Obligation Bonds

On June 5, 2013, the City issued \$1,545,000 of various purpose refunding bonds, which consisted of serial bonds. The bonds advance refunded \$1,495,000 of outstanding 2002 various purpose refunding and improvement bonds. At the date of refunding, \$1,557,361 (including premium and after underwriting discount and other issuance costs) was received to pay off old debt. As a result, \$570,000 of the refunded bonds is considered to be defeased and the liability for those bonds has been removed from the financial statements. The advance refunding reduced cash flows required for debt service by \$170,385 over the next nine years and resulted in an economic gain of \$153,737. These refunding bonds were issued with a premium of \$12,361 and issuance costs of \$55,440 which were both reflected as current year activity in the year of issuance.

In March 2016, the City issued general obligation bonds in the amount of \$5,000,000 for the construction of a fire station. The bonds were issued with a premium of \$144,925 at an interest rate ranging from one to four percent and mature on December 1, 2040. The bond issue consists of serial and term bonds. The bonds maturing on or after December 1, 2023 are subject to prior redemption, by and at the sole option of the City, either in whole or in part (as selected by the City), and in integral multiples of \$5,000 on any date on or after December 1, 2022, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

Term bonds maturing in 2026, 2028, 2030, 2033, 2036, 2038, and 2040 are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date, in December.

General obligation bonds are backed by full faith and credit of the City.

Direct Borrowings

On February 24, 2014, the City received a loan from the Ohio Department of Transportation (ODOT). The proceeds of this loan were used for improvements and widening of West High Avenue. Semiannual principal and interest payments of \$25,470 began on January 1, 2017 and will mature on July 1, 2024. Payments will be made from the master capital improvement fund. In the event of default, as defined by the debt agreement, ODOT may declare all amounts payable by the City due. ODOT also holds the right to inspect, examine and copy the books, records, accounts and financial data of the City.

On November 27, 2018, the City received a loan from ODOT. The proceeds of this loan were used for the construction of a 12-bay hanger at the airport. Semiannual principal and interest payments of \$18,767 will begin on May 1, 2021 and will mature on November 15, 2038. Payments will be made from the airport capital improvement fund. In the event of default, as defined by the debt agreement, ODOT may declare all amounts payable by the City due. ODOT also holds the right to inspect, examine and copy the books, records, accounts and financial data of the City.

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On May 1, 2018, the City received a loan from First Federal Community Bank. The proceeds were used to purchase 8.95 acres of land to use as a cemetery. This loan was paid in full in 2020.

In prior years, the City entered into lease purchase agreements for a city wide phone system and a municipal court phone system in the amounts of \$61,926 and \$18,636, respectively. The lease agreements carry an interest rate of 8.68 percent maturity dates of August 31, 2020 and April 28, 2021, respectively. The leases will be paid out of the general fund and the municipal court computer improvement fund, respectively. In the event of default, as defined by each lease agreement, the Lessor may retain any payments as liquidated damages and/or repossess and sell any or all equipment.

In 2016, the City entered into a lease purchase agreement for a fire tanker truck in the amount of \$321,963. The lease carries an interest rate of 2.25 percent and a maturity date of August 17, 2021. The lease will be paid from the fire capital equipment fund. In the event of default, as defined by the lease agreement, the Lessor may declare all remaining payments immediately due. If payments are not made, the Lessor may retake possession of the fire tanker truck and hold the City liable for all costs incurred by the Lessor as a result of collection activities.

In 2019, the City entered into a lease purchase agreement for an ambulance in the amount of \$259,612. The lease carries an interest rate of 4.48 percent and a maturity date of April 1, 2022. The lease will be paid from the fire capital equipment fund. In the event of default, as defined by the lease agreement, the Lessor may declare all remaining payments immediately due. If payments are not made, the Lessor may retake possession of the ambulance and hold the City liable for all costs incurred by the Lessor as a result of collection activities.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$2,811,649 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 39.18 percent. The total principal and interest remaining to be paid on the loans is \$2,966,358. Principal and interest paid for the current year and total net revenues were \$644,156 and \$1,693,051, respectively.

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

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

The annual requirements to retire governmental activities debt are as follows:

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| | General | | | | | | | |
|-----------|---------------------|---------------------|-------------------|-------------------|-------------------|------------------|---------------------|---------------------|
| | Obligation Bonds | | ODOT Loans | | Lease Purchases | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 340,000 | \$ 146,380 | \$ 68,368 | \$ 20,106 | \$ 132,869 | \$ 7,030 | \$ 541,237 | \$ 173,516 |
| 2022 | 165,000 | 139,400 | 70,435 | 18,040 | 66,920 | 2,998 | 302,355 | 160,438 |
| 2023 | 170,000 | 136,100 | 72,563 | 15,911 | - | - | 242,563 | 152,011 |
| 2024 | 175,000 | 131,850 | 49,286 | 13,718 | - | - | 224,286 | 145,568 |
| 2025 | 175,000 | 127,475 | 24,925 | 12,610 | - | - | 199,925 | 140,085 |
| 2026-2030 | 970,000 | 554,725 | 136,389 | 51,285 | - | - | 1,106,389 | 606,010 |
| 2031-2035 | 1,145,000 | 377,625 | 158,285 | 29,389 | - | - | 1,303,285 | 407,014 |
| 2036-2040 | 1,375,000 | 142,494 | 106,924 | 5,682 | - | - | 1,481,924 | 148,176 |
| | <u>\$ 4,515,000</u> | <u>\$ 1,756,049</u> | <u>\$ 687,175</u> | <u>\$ 166,741</u> | <u>\$ 199,789</u> | <u>\$ 10,028</u> | <u>\$ 5,401,964</u> | <u>\$ 1,932,818</u> |

The annual requirements to retire business-type activities debt are as follows:

| | Ohio Public Works Commission | | Ohio Water Development Authority Loans | | Total | |
|-----------|------------------------------|---------------------|--|---------------------|-------------------|-------------------|
| | Loans | | Development Authority Loans | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 47,553 | 593,304 | 26,733 | \$ 640,857 | \$ 26,733 | 22,909 |
| 2022 | 48,793 | 597,446 | 22,909 | 646,239 | 18,767 | 15,600 |
| 2023 | 48,793 | 601,710 | 18,767 | 650,503 | 14,146 | 46,996 |
| 2024 | 48,795 | 41,594 | 15,600 | 90,389 | 9,558 | - |
| 2025 | 37,166 | 43,075 | 14,146 | 80,241 | - | - |
| 2026-2030 | 113,770 | 239,536 | 46,996 | 353,306 | - | - |
| 2031-2035 | 111,269 | 142,930 | 9,558 | 254,199 | - | - |
| 2036-2040 | 92,897 | - | - | 92,897 | - | - |
| 2040-2044 | 1,886 | - | - | 1,886 | - | - |
| 2045-2048 | 1,132 | - | - | 1,132 | - | - |
| | <u>\$ 552,054</u> | <u>\$ 2,259,595</u> | <u>\$ 154,709</u> | <u>\$ 2,811,649</u> | <u>\$ 154,709</u> | <u>\$ 154,709</u> |

NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE

In 2019, the City entered into a lease agreement for a vehicle for the police department. This debt will be paid by the master capital improvement fund. The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

In 2019 the City entered into lease agreement for a sewer vehicle. This debt was paid by the sewer and the asset was recorded in the sewer fund. This lease was paid in full in 2020.

The assets acquired by the leases have been capitalized in the amount of \$134,024, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$24,284 as of December 31, 2020, leaving a current book value of \$109,740. A corresponding liability is recorded and is reduced for each required principal payment. In the event of default, as defined by each agreement, the Lessor may declare all remaining payments immediately due. If payments are not made, the Lessor may take immediate possession of the vehicle defined by the agreement in default and hold the City liable for amounts payable.

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The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2020:

| | | <u>Governmental Activities</u> |
|--|------|------------------------------------|
| Year Ending December 31: | 2021 | <u>\$ 26,638</u> |
| Minimum lease payments | | 26,638 |
| Less: amount representing interest at the City's incremental borrowing rate of interest | | <u>(1,278)</u> |
| Present value of minimum lease payments | | <u>\$ 25,360</u> |

NOTE 15: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2020, consisted of the following.

| <u>Fund</u> | <u>Transfers Out</u> | <u>Transfers In</u> |
|------------------------------|----------------------|---------------------|
| Governmental: | | |
| General | \$ 300,000 | \$ - |
| Nonmajor Governmental Funds: | | |
| SAFER Grant | - | 300,000 |
| Totals | <u>\$ 300,000</u> | <u>\$ 300,000</u> |

The interfund transfer was made from the general fund to transfer the City's share of the SAFER grant to the SAFER Grant fund. In addition, the City has ongoing projects which are paid from both governmental activities and business-type activities. Governmental activities transferred construction in progress in the amount of \$348,564 to business-type activities. Business-type activities transferred construction in progress in the amount of \$412,035 to governmental activities.

NOTE 16: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2020.

B. Litigation

The City is not party to any claims or lawsuits that would, in the City's opinion, have a material effect on the basic financial statements.

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NOTE 17: SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2020, the City had contractual commitments for the following projects:

| | <u>Contractual Commitment</u> | <u>Expended</u> | <u>Balance 12/31/2020</u> |
|---|-----------------------------------|---------------------|-------------------------------|
| WE Quicksall - CDBG 2019 | \$ 39,000 | \$ 36,400 | \$ 2,600 |
| MidOhio Concrete - CDBG 2019 | 144,938 | 133,343 | 11,595 |
| Michael Baker, Jr. - Master Plan Update 2015 | 249,997 | 214,000 | 35,997 |
| Michael Baker, Jr. - PAPI Light Runway Engineering 2019 | 20,000 | 15,000 | 5,000 |
| Michael Baker, Jr. Grant Admin 2018 | 15,871 | 5,592 | 10,279 |
| Michael Baker, Jr. Grant Admin 2019 | 13,614 | 7,016 | 6,598 |
| Michael Baker, Jr. Grant Admin 2020 | 14,010 | 5,016 | 8,994 |
| We Quicksall - Lakeview Sidewalks | 74,725 | 64,590 | 10,135 |
| Stanley Miller - Cemetery Office | 199,336 | 62,261 | 137,075 |
| Vizmeg Landscape - Southside Park | 1,990,457 | 1,053,502 | 936,955 |
| Totals | <u>\$ 2,761,948</u> | <u>\$ 1,596,720</u> | <u>\$ 1,165,228</u> |

B. Other Commitments

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

| <u>Fund</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| General | \$ 49,808 |
| Street Maintenance and Repair | 3,598 |
| Safety Forces Operation | 15,046 |
| Other Governmental Funds | <u>341,697</u> |
| Totals | <u>\$ 410,149</u> |

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 18: 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 governmental funds are presented as follows:

| | General Fund | Street Maintenance and Repair | Safety Forces Operation | Other Governmental | Total |
|--------------------------------------|---------------------|-------------------------------------|----------------------------|-----------------------|---------------------|
| Nonspendable for: | | | | | |
| Inventory | \$ 114,513 | \$ 327,299 | \$ - | \$ - | \$ 441,812 |
| Unclaimed Monies | 51,975 | - | - | - | 51,975 |
| Total Nonspendable | <u>166,488</u> | <u>327,299</u> | <u>-</u> | <u>-</u> | <u>493,787</u> |
| Restricted for: | | | | | |
| Public Safety and Law Enforcement | - | - | 848,474 | 507,205 | 1,355,679 |
| Street Maintenance | - | 783,267 | - | 319,794 | 1,103,061 |
| Cemetery | - | - | - | 369,387 | 369,387 |
| Debt Service | - | - | - | 382,100 | 382,100 |
| Municipal Court | - | - | - | 1,337,642 | 1,337,642 |
| Community Development | - | - | - | 99,928 | 99,928 |
| Capital Outlay | - | - | - | 871,059 | 871,059 |
| Public Health | - | - | - | 13,464 | 13,464 |
| Other | - | - | - | 14,460 | 14,460 |
| Total Restricted | <u>-</u> | <u>783,267</u> | <u>848,474</u> | <u>3,915,039</u> | <u>5,546,780</u> |
| Committed for: | | | | | |
| Fire and Ambulance | - | - | - | 289,017 | 289,017 |
| Debt Service | - | - | - | 129,732 | 129,732 |
| Municipal Court | 222,270 | - | - | - | 222,270 |
| Other Purposes | - | - | - | 5,942 | 5,942 |
| Total Committed | <u>222,270</u> | <u>-</u> | <u>-</u> | <u>424,691</u> | <u>646,961</u> |
| Assigned: | | | | | |
| Encumbrances | | | | | |
| General Government | 18,742 | - | - | - | 18,742 |
| Security of Persons and Property | 7,094 | - | - | - | 7,094 |
| Transportation | 338 | - | - | - | 338 |
| Public Health | 5,004 | - | - | - | 5,004 |
| Leisure Time Activities | 17,006 | - | - | - | 17,006 |
| Airport Capital Improvement | 33,556 | - | - | - | 33,556 |
| Income Tax | 1,624 | - | - | - | 1,624 |
| Subsequent Year Appropriations | 946,998 | - | - | - | 946,998 |
| Total Assigned | <u>1,030,362</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,030,362</u> |
| Unassigned | <u>729,297</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>729,297</u> |
| Total Fund Balance | <u>\$ 2,148,417</u> | <u>\$ 1,110,566</u> | <u>\$ 848,474</u> | <u>\$ 4,339,730</u> | <u>\$ 8,447,187</u> |

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 19: JOINTLY GOVERNED ORGANIZATIONS

A. Community Improvement Corporation of Tuscarawas County

The City is associated with the Community Improvement Corporation of Tuscarawas County (“Corporation”) as a Jointly Governed Organization. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenhutten. It is controlled by 30 trustees consisting of the three County Commissioners, the mayor of each participating city or village and eighteen self-elected trustees. The board exercises total control over the operation of the Corporation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the board. In 2020, no monies were paid by the City.

B. Tuscarawas County Drug Enforcement Task Force

The City entered into a mutual aid agreement with the Tuscarawas County Drug Enforcement Task Force, which is coordinated by the Tuscarawas County Sheriff’s Office. In 2020, the City paid no monies.

C. Ohio Mid-Eastern Governments Association (OMEGA)

The Ohio-Mid Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of New Philadelphia serves as the City’s representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2020, \$2,593 was paid by the City.

D. Tax Incentive Revenue Council (TIRC)

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2020, no monies were paid by the City.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 20: RELATED ORGANIZATION

Tuscora Park Foundation

The Tuscora Park Foundation (Foundation) is a related organization that was created by citizens of the community as a 501(c)(3). The Foundation is governed by nine members on the Board of Trustees who are appointed by the Board of Directors. The mayor and parks and recreation superintendent of the City of New Philadelphia serve as City representatives on the board. Additionally, the City Park and Recreation Board appoint three members. The Foundation was established to assist the City by raising, acquiring, and accepting funds for present and future needs in order to develop a network of resources to maintain, restore, and build community parks within the City and surrounding areas. The board has total control over budgeting, personnel, and financial matters. The City is not able to impose its will on the Foundation and no financial benefit and/or burden relationship exists. The City has an agreement with the Foundation to contribute the local share of the project costs for the Southside Improvement Project.

NOTE 21: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 22: NEW PHILADELPHIA CITY HEALTH DISTRICT

The constitution and laws of the State of Ohio establish the rights and privileges of the New Philadelphia City Health District, Tuscarawas County (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The Mayor appoints the Board. The District's services include communicable disease investigations, immunization clinics, mosquito and smoking control programs, inspections, and public health nursing services, and the District issues health-related licenses and permits. The District is operating by a board with all members appointed by the City Mayor. The City provides funding to the District, thus the City can impose will on the District, and the District imposes a financial burden to the City. Therefore, the District is considered a discretely presented component unit of the City of New Philadelphia.

Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

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

Measurement Focus: Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Basis of Accounting Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, includes grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

Pooled Cash and Investments The City of New Philadelphia Treasurer is custodian for the District's deposits. The City's deposit and investment pool holds the District's assets, valued at the Treasurer's reported carrying amount.

Accrued Liabilities and Long-Term Obligations All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

Net Position Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

Receivables

Receivables at December 31, 2020 consisted solely of intergovernmental receivables arising from grants.

Risk Management

Commercial Insurance The District has obtained commercial insurance for vehicles.

Risk Pool Membership The District is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2020</u> |
|-----------------------|---------------|
| Cash and investments | \$40,318,971 |
| Actuarial liabilities | \$ 14,111,510 |

Contingencies

Grants Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2020

Litigation Management is not aware of any pending litigation.

COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. In addition, the impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

City of New Philadelphia
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Seven Years (1)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|--------------|--------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| City's Proportion of the Net Pension Liability | 0.0388230% | 0.0395410% | 0.0409956% | 0.0385608% |
| City's Proportionate Share of the Net Pension Liability | \$ 7,673,629 | \$ 10,829,478 | \$ 6,431,422 | \$ 8,756,492 |
| City's Covered Payroll | \$ 5,462,343 | \$ 5,340,679 | \$ 5,670,757 | \$ 4,989,825 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 140.48% | 202.77% | 113.41% | 175.49% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.17% | 74.70% | 84.66% | 77.25% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| City's Proportion of the Net Pension Liability | 0.1571912% | 0.1558740% | 0.1606510% | 0.1483620% |
| City's Proportionate Share of the Net Pension Liability | \$ 10,589,272 | \$ 12,723,437 | \$ 9,859,863 | \$ 9,397,131 |
| City's Covered Payroll | \$ 3,585,069 | \$ 3,471,004 | \$ 3,445,910 | \$ 3,138,985 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 295.37% | 366.56% | 286.13% | 299.37% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.89% | 63.07% | 70.91% | 68.36% |

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

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

See accompanying notes to the required supplementary information.

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----|-------------|--------------|--------------|
| | 0.0393160% | 0.0399860% | 0.0399860% |
| \$ | 6,810,027 | \$ 4,822,758 | \$ 4,713,828 |
| \$ | 4,863,000 | \$ 4,903,692 | \$ 3,982,946 |
| | 140.04% | 98.35% | 118.35% |
| | 81.08% | 86.45% | 86.36% |
| | 0.1492050% | 0.1453451% | 0.1453451% |
| \$ | 9,598,462 | \$ 7,529,482 | \$ 7,078,762 |
| \$ | 2,968,896 | \$ 2,894,854 | \$ 2,140,640 |
| | 323.30% | 260.10% | 330.68% |
| | 66.77% | 72.20% | 73.00% |

See accompanying notes to the required supplementary information.

City of New Philadelphia
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| Contractually Required Contribution | \$ 806,950 | \$ 764,728 | \$ 747,695 | \$ 737,198 |
| Contributions in Relation to the Contractually Required Contribution | <u>(806,950)</u> | <u>(764,728)</u> | <u>(747,695)</u> | <u>(737,198)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll | \$ 5,763,929 | \$ 5,462,343 | \$ 5,340,679 | \$ 5,670,757 |
| Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 13.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| Contractually Required Contribution | \$ 847,383 | \$ 775,630 | \$ 747,659 | \$ 742,971 |
| Contributions in Relation to the Contractually Required Contribution | <u>(847,383)</u> | <u>(775,630)</u> | <u>(747,659)</u> | <u>(742,971)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll | \$ 3,923,232 | \$ 3,585,069 | \$ 3,471,004 | \$ 3,445,910 |
| Contributions as a Percentage of Covered Payroll | 21.60% | 21.64% | 21.54% | 21.56% |

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

See accompanying notes to the required supplementary information.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 598,779 | \$ 583,560 | \$ 588,443 | 517783 | n/a | n/a |
| <u>(598,779)</u> | <u>(583,560)</u> | <u>(588,443)</u> | -517783 | n/a | n/a |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | 0 | n/a | n/a |
| \$ 4,989,825 | \$ 4,863,000 | \$ 4,903,692 | 3982946 | n/a | n/a |
| 12.00% | 12.00% | 12.00% | 0.130000005 | n/a | n/a |
| \$ 675,455 | \$ 639,089 | \$ 608,260 | \$ 389,142 | \$ 375,944 | \$ 397,105 |
| <u>(675,455)</u> | <u>(639,089)</u> | <u>(608,260)</u> | <u>(389,142)</u> | <u>(375,944)</u> | <u>(397,105)</u> |
| <u>\$ 0</u> |
| \$ 3,138,985 | \$ 2,968,896 | \$ 2,894,854 | \$ 2,140,640 | \$ 2,488,687 | \$ 2,606,907 |
| 21.52% | 21.53% | 21.01% | 18.18% | 15.11% | 15.23% |

See accompanying notes to the required supplementary information.

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City of New Philadelphia
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Last Four Years (1)

| | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|
| Ohio Public Employees' Retirement System (OPERS) | | | | |
| City's Proportion of the Net OPEB Liability | 0.0375150% | 0.0384500% | 0.0400351% | 0.0380020% |
| City's Proportionate Share of the Net OPEB Liability | \$ 5,181,796 | \$ 5,012,972 | \$ 4,347,514 | \$ 3,838,331 |
| City's Covered Payroll | \$ 5,462,343 | \$ 5,340,679 | \$ 5,670,757 | \$ 4,989,825 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 94.86% | 93.86% | 76.67% | 76.92% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.80% | 46.33% | 54.14% | 54.04% |
| Ohio Police and Fire Pension Fund (OPF) | | | | |
| City's Proportion of the Net OPEB Liability | 0.1571912% | 0.1558740% | 0.1606510% | 0.1483620% |
| City's Proportionate Share of the Net OPEB Liability | \$ 1,552,697 | \$ 1,419,472 | \$ 9,102,238 | \$ 7,042,410 |
| City's Covered Payroll | \$ 3,585,069 | \$ 3,471,004 | \$ 3,445,910 | \$ 3,138,985 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 43.31% | 40.90% | 264.15% | 224.35% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.08% | 46.57% | 14.13% | 15.96% |

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

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

See accompanying notes to the required supplementary information.

City of New Philadelphia
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| Contractually Required Contribution | \$ 0 | \$ 0 | \$ 0 | \$ 54,176 |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u> | <u>0</u> | <u>0</u> | <u>(54,176)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll (1) | \$ 5,763,929 | \$ 5,462,343 | \$ 5,340,679 | \$ 5,670,757 |
| Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.96% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| Contractually Required Contribution | \$ 19,616 | \$ 17,925 | \$ 17,355 | \$ 17,230 |
| Contributions in Relation to the Contractually Required Contribution | <u>(19,616)</u> | <u>(17,925)</u> | <u>(17,355)</u> | <u>(17,230)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll | \$ 3,923,232 | \$ 3,585,069 | \$ 3,471,004 | \$ 3,445,910 |
| Contributions as a Percentage of Covered Payroll | 0.50% | 0.50% | 0.50% | 0.50% |

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

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

See accompanying notes to the required supplementary information.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-----------------|-----------------|------------------|------------------|------------------|------------------|
| 99797 | n/a | n/a | n/a | n/a | n/a |
| -99797 | n/a | n/a | n/a | n/a | n/a |
| 0 | n/a | n/a | n/a | n/a | n/a |
| 4989825 | n/a | n/a | n/a | n/a | n/a |
| 0.0200001 | n/a | n/a | n/a | n/a | n/a |
| \$ 15,695 | \$ 14,844 | \$ 174,031 | \$ 173,471 | \$ 167,987 | \$ 175,965 |
| <u>(15,695)</u> | <u>(14,844)</u> | <u>(174,031)</u> | <u>(173,471)</u> | <u>(167,987)</u> | <u>(175,965)</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 3,138,985 | \$ 2,968,896 | \$ 2,894,854 | \$ 2,140,640 | \$ 2,488,687 | \$ 2,606,907 |
| 0.50% | 0.50% | 6.00% | 8.10% | 6.75% | 6.75% |

See accompanying notes to the required supplementary information.

City of New Philadelphia
Tuscarawas County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions – OPERS

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

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

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

Changes in Benefit Terms – OPERS

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 percent simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Changes in Assumptions – OP&F

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

Changes in Benefit Terms – OP&F

No significant changes in benefit terms.

NOTE 2 - NET OPEB LIABILITY

Changes in Assumptions - OPERS

For calendar year 2020, the following changes were made to the actuarial assumptions:

- Discount rate from 3.96 percent to 3.16 percent
- Municipal bond rate from 3.71 percent to 2.75 percent
- Health Care Cost Trend Rate from 10.00 percent to 10.50 percent

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

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

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Benefit Terms – OPERS

No significant changes in benefit terms.

Changes in Assumptions – OP&F

For calendar year 2020, the single discount rate decreased from 4.66 percent to 3.56 percent and the municipal bond rate from 4.13 percent to 2.75 percent.

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

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

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To Members of City Council and Management
City of New Philadelphia
Tuscarawas County, Ohio
150 E. High Avenue
New Philadelphia, OH 44663

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 27, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
July 27, 2021

**Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control Over Compliance
Required By the Uniform Guidance**

To Members of City Council and Management
City of New Philadelphia
Tuscarawas County, Ohio
150 E. High Avenue
New Philadelphia, OH 44663

Report on Compliance for Each Major Federal Program

We have audited the City of New Philadelphia's, Tuscarawas County, Ohio (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
July 27, 2021

CITY OF NEW PHILADELPHIA
Tuscarawas County, Ohio

*Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020*

| FEDERAL GRANTOR <i>Pass Through Grantor</i> | Federal CFDA | Pass Through Entity Identifying | Passed Through to | Total Federal |
|--|-------------------------|--|------------------------------|--------------------------|
| Program / Cluster Title | Number | Number | Subrecipients | Disbursements |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <i>Passed through Ohio Department of Development</i> | | | | |
| Community Development Block Grant | 14.228 | A-F-19-2CU-1 | 0 | 139,393 |
| HOME Investment Partnerships Program | 14.239 | A-C-18-2CU-2 | 0 | 147,978 |
| Total U.S. Department of Housing and Urban Development | | | <u>0</u> | <u>287,371</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| <i>Direct program:</i> | | | | |
| Assistance to Firefighters Grant | 97.044 | N/A | 0 | 360,182 |
| Total U.S. Department of Homeland Security | | | <u>0</u> | <u>360,182</u> |
| U.S. DEPARTMENT OF THE TREASURY | | | | |
| <i>Passed through Ohio Office of Budget and Management</i> | | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | HB481-CRF-Local | 0 | 1,607,166 |
| Total U.S. Department of the Treasury | | | <u>0</u> | <u>1,607,166</u> |
| U.S. Department of Justice | | | | |
| <i>Passed through Ohio Attorney General</i> | | | | |
| Crime Victim Assistance | 16.575 | | 0 | 40,297 |
| Total U.S. Environmental Protection Agency | | | <u>0</u> | <u>40,297</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 0</u> | <u>\$ 2,295,016</u> |

The accompanying notes are an integral part of this Schedule.

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(B)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of New Philadelphia's (the "City's") under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY, OHIO**
Schedule of Findings & Questioned Costs
2 CFR Section 200.515
December 31, 2020

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|----------------------|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | None Reported |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | None Reported |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): Coronavirus Relief Fund | CFDA 21.019 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 750,000 |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | No |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None Noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF NEW PHILADELPHIA

TUSCARAWAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/14/2021

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

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