

City of New Philadelphia
Tuscarawas County, Ohio

Basic Financial Statements

For the Year Ended
December 31, 2019

City of New Philadelphia
Tuscarawas County, Ohio
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May 31, 2020

To the Mayor and Members of Council
City of New Philadelphia
150 East High Avenue, Suite 19
New Philadelphia, OH 44633

Management is responsible for the accompanying basic financial statements of City of New Philadelphia, as of and for the year ended December 31, 2019, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The management's discussion and analysis and the pension and other postemployment benefits information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Rea & Associates, Inc.

New Philadelphia, Ohio

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City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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, 2019. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position increased \$7,541,898, which represents a 28 percent increase from 2018 restated balances. Net position of governmental activities increased \$7,697,564 and the net position of business-type activities decreased \$155,666.
- Total capital assets increased \$2,451,771 during 2019. Capital assets of governmental activities increased \$2,818,650 and capital assets of business-type activities decreased \$366,879.
- Outstanding debt decreased from \$10,233,302 to \$9,693,721.

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 2019 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 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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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.

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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 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2019	Restated 2018	Change	2019	2018	Change
Assets						
Current and Other Assets	\$ 11,227,947	\$ 10,680,013	\$ 547,934	\$ 6,136,094	\$ 5,790,892	\$ 345,202
Capital Assets	<u>35,862,162</u>	<u>33,043,512</u>	2,818,650	<u>17,386,473</u>	<u>17,753,352</u>	(366,879)
<i>Total Assets</i>	<u>47,090,109</u>	<u>43,723,525</u>	<u>3,366,584</u>	<u>23,522,567</u>	<u>23,544,244</u>	<u>(21,677)</u>
Deferred Outflows of Resources						
Pension & OPEB	<u>7,459,381</u>	<u>5,039,561</u>	<u>2,419,820</u>	<u>1,345,657</u>	<u>759,775</u>	<u>585,882</u>
<i>Total Deferred Outflows of Resources</i>	<u>7,459,381</u>	<u>5,039,561</u>	<u>2,419,820</u>	<u>1,345,657</u>	<u>759,775</u>	<u>585,882</u>
Liabilities						
Current and Other Liabilities	644,244	610,580	33,664	294,077	217,997	76,080
Long-Term Liabilities:						
Due within One Year	1,019,644	960,808	58,836	725,000	760,685	(35,685)
Due in More Than One Year:						
Net Pension Liability	19,546,008	13,911,659	5,634,349	4,006,907	2,379,626	1,627,281
Net OPEB Liability	4,577,644	11,841,171	(7,263,527)	1,854,800	1,608,581	246,219
Other Amounts	<u>6,749,179</u>	<u>6,625,591</u>	<u>123,588</u>	<u>2,899,315</u>	<u>3,528,083</u>	<u>(628,768)</u>
<i>Total Liabilities</i>	<u>32,536,719</u>	<u>33,949,809</u>	<u>(1,413,090)</u>	<u>9,780,099</u>	<u>8,494,972</u>	<u>1,285,127</u>
Deferred Inflows of Resources						
Property Taxes	1,506,892	1,482,228	24,664	0	0	0
Pension & OPEB	<u>1,190,525</u>	<u>1,719,694</u>	<u>(529,169)</u>	<u>210,501</u>	<u>775,757</u>	<u>(565,256)</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,697,417</u>	<u>3,201,922</u>	<u>(504,505)</u>	<u>210,501</u>	<u>775,757</u>	<u>(565,256)</u>
Net Position						
Net Investment in Capital Assets	29,675,252	26,811,276	2,863,976	13,992,674	14,107,954	(115,280)
Restricted	5,616,789	6,208,221	(591,432)	0	0	0
Unrestricted	<u>(15,976,687)</u>	<u>(21,401,707)</u>	<u>5,425,020</u>	<u>884,950</u>	<u>925,336</u>	<u>(40,386)</u>
<i>Total Net Position</i>	<u>\$ 19,315,354</u>	<u>\$ 11,617,790</u>	<u>\$ 7,697,564</u>	<u>\$ 14,877,624</u>	<u>\$ 15,033,290</u>	<u>\$ (155,666)</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, 2019. 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.

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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.

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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 77 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 \$43,667,926 at December 31, 2019, with \$29,675,252 in governmental activities and \$13,992,674 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, \$5,616,789 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 \$15,976,687. The balance of unrestricted net position for business-type activities is \$884,950.

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.

Capital assets for governmental activities increased primarily due to two Ohio Department of Transportation (ODOT) let projects completed in 2019.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	Restated 2018	Change	2019	2018	Change
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,838,084	\$ 2,785,522	\$ 52,562	\$ 6,784,730	\$ 6,844,747	\$ (60,017)
Operating Grants	1,277,992	1,462,989	(184,997)	97,470	15,442	82,028
Capital Grants	3,174,717	458,321	2,716,396	0	122,675	(122,675)
<i>General Revenues:</i>						
Property Taxes	1,541,512	1,501,516	39,996	0	0	0
Income Taxes	8,277,892	8,178,907	98,985	0	0	0
Other Local Taxes	193,890	194,000	(110)	0	0	0
Grants and Entitlements	942,697	609,412	333,285	0	0	0
Interest	247,575	79,254	168,321	0	0	0
Other	264,023	311,479	(47,456)	78,765	85,462	(6,697)
<i>Total Revenues</i>	<u>18,758,382</u>	<u>15,581,400</u>	<u>3,176,982</u>	<u>6,960,965</u>	<u>7,068,326</u>	<u>(107,361)</u>
Program Expenses						
General Government	4,549,720	4,074,606	475,114	0	0	0
Security of Persons and Property	1,157,463	8,038,305	(6,880,842)	0	0	0
Public Health	930,892	1,143,767	(212,875)	0	0	0
Leisure Time Services	1,256,495	1,265,476	(8,981)	0	0	0
Community Development	219,012	380,167	(161,155)	0	0	0
Transportation	2,836,312	2,756,157	80,155	0	0	0
Interest and Fiscal Charges	185,910	188,618	(2,708)	0	0	0
<i>Enterprise Operations:</i>						
Water	0	0	0	2,902,557	3,063,351	(160,794)
Sewer	0	0	0	2,355,852	2,226,567	129,285
Sanitation	0	0	0	1,783,236	1,594,484	188,752
<i>Total Program Expenses</i>	<u>11,135,804</u>	<u>17,847,096</u>	<u>(6,711,292)</u>	<u>7,041,645</u>	<u>6,884,402</u>	<u>157,243</u>
<i>Increase (Decrease) in Net Position</i>	7,622,578	(2,265,696)	9,888,274	(80,680)	183,924	(264,604)
Transfers	74,986	32,544	42,442	(74,986)	(32,544)	(42,442)
<i>Change in Net Position</i>	7,697,564	(2,233,152)	9,930,716	(155,666)	151,380	(307,046)
<i>Net Position Beginning of Year</i>	11,617,790	13,849,504	(2,231,714)	15,033,290	14,881,910	151,380
<i>Restatement - See Note 2</i>	0	1,438	(1,438)	0	0	0
<i>Net Position End of Year</i>	<u>\$ 19,315,354</u>	<u>\$ 11,617,790</u>	<u>\$ 7,697,564</u>	<u>\$ 14,877,624</u>	<u>15,033,290</u>	<u>\$ (155,666)</u>

The City's overall net position increased \$7,541,898 from the prior year. The reasons for this overall decrease 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.

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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 2019. This was primarily due to an increase in capital grants from capital contributions from the Ohio Department of Transportation (ODOT) for two ODOT let projects completed during 2019. Grants and entitlements also increased due to a Staffing for Adequate Fire and Emergency Response (SAFER) grant received from the Federal Emergency Management Agency (FEMA).

General government and transportation represent the largest expenses of governmental activities. The increase in general government is primarily due to accruals related to GASB 68. The decrease in security of persons and property is primarily due to accruals related to GASB 75. The police and fire departments operate out of the general fund and the safety forces operation fund.

The City's street maintenance and repair department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2019, charges for services accounted for 97 percent of the business type revenues. The total expenses for the utilities increased primarily due to an increase in fringe benefits as it relates to net pension liability.

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 increases in income tax and intergovernmental revenues.

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

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The safety forces operation fund, a major fund, had a small increase in fund balance due primarily to revenues exceeding expenditures.

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 \$332,252 and the water and sewer funds had unrestricted net position of \$378,743 and \$838,459, respectively. Total change in net position for these funds was a decrease of \$118,177, a decrease of \$289,623, and increase of \$252,134, 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 2019, 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.

Final Budget Compared to Actual Results The most significant variances between estimated appropriations and actual expenditures were the result of conservative spending. There were no significant variances between final estimated revenues and actual revenues.

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

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City of New Philadelphia
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Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal year 2019 balances compared with 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,621,119	\$ 1,621,119	\$ 51,892	\$ 51,892	\$ 1,673,011	\$ 1,673,011
Construction in Progress	238,265	335,160	301,042	0	539,307	335,160
Buildings and Building Improvements	7,945,231	7,592,528	3,327,570	3,535,970	11,272,801	11,128,498
Improvements Other Than Buildings	5,026,633	4,455,881	3,330,059	3,528,832	8,356,692	7,984,713
Machinery and Equipment	1,695,443	1,739,504	757,631	730,317	2,453,074	2,469,821
Furniture and Fixtures	6,244	7,290	1,028	1,028	7,272	8,318
Vehicles	2,248,364	2,022,003	866,648	759,530	3,115,012	2,781,533
Infrastructure	17,080,863	15,270,027	0	0	17,080,863	15,270,027
Sewer Lines	0	0	3,365,546	3,477,676	3,365,546	3,477,676
Water Lines	0	0	5,385,057	5,668,107	5,385,057	5,668,107
Total	\$ 35,862,162	\$ 33,043,512	\$ 17,386,473	\$ 17,753,352	\$ 53,248,635	\$ 50,796,864

See Note 9 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	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 4,976,737	\$ 5,322,534	\$ 0	\$ 0	\$ 4,976,737	\$ 5,322,534
First Federal Cemetery Loan	215,675	223,089	0	0	215,675	223,089
ODOT Loans	716,940	351,970	0	0	716,940	351,970
OPWC Loans	0	0	525,648	552,564	525,648	552,564
OWDA Loans	0	0	2,848,871	3,434,232	2,848,871	3,434,232
Bond Anticipation Notes	0	0	0	0	0	0
Police and Fire Pension	0	0	0	0	0	0
Lease Purchases	341,067	230,865	0	0	341,067	230,865
Capital Leases	49,503	47,996	19,280	70,052	68,783	118,048
Total	\$ 6,299,922	\$ 6,176,454	\$ 3,393,799	\$ 4,056,848	\$ 9,693,721	\$ 10,233,302

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Economic Factors

Six new firefighters were hired by the City in 2019, thanks to the \$879,542 in federal grant money for the Staffing for Adequate Fire and Emergency Response (SAFER) that was awarded in 2018. The grant will cover a percentage of wages and benefits over 3 years for the additional 6 firefighters. The City has already seen a reduction in overtime costs and, because of the 6 new hires, the Insurance Services Office (ISO) rating for the City of New Philadelphia has changed from a 3 to a 2.

In another fire department note, the City brought the ambulance billing in-house in the fall of 2019. Our ambulance billing had been through a local company prior to this move. The City looks for this change to improve efficiency and reduce billing costs.

Funding was secured in 2018 from the State Infrastructure Bank for the construction of a new 12-bay aircraft hangar at our municipal airport. The demand for more hangar space from private aircraft owners drove this decision. The new hangar was completed in 2019 and full occupancy began in May 2019.

The City secured local funding for the purchase of 9 additional acres for cemetery use. This additional land was greatly needed to keep up with the demand for cemetery lots. The City has also hired a consultant to design a master plan for this new land and for the existing City cemeteries. Work on developing this land was still ongoing in 2019.

The City welcomed several new businesses in 2019. Menards, Inc. opened their doors in 2019. Cleveland Clinic Union Hospital expanded its medical services into New Philadelphia by opening a family medical center. There was also a chemical distribution company from Minnesota that expanded its business into Ohio when it purchased a large warehouse in New Philadelphia. The City saw a 4.2 percent growth in our income tax revenues over 2018 due to our improving local economy.

The City signed a contract with Horizons Network Partners to allow for connecting all City government buildings with fiber optic cable. 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 Ohio Department of Transportation redesigned our West High Avenue/Bluebell Drive NW intersection by installing new traffic signals, crosswalks and reconfigured lanes. This area of New Philadelphia has for many years been an area of high traffic and congestion. These changes have made a marked improvement on traffic flow and safety.

The City continues to address road surface and curb radius issues as funds permit and we continue to improve our stock of trees through an aggressive lawn strip management program.

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

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	New Philadelphia Health Department
Assets				
Equity in Pooled Cash and Investments	\$ 6,037,516	\$ 4,563,122	\$ 10,600,638	\$ 15,711
Accounts Receivable	356,516	857,983	1,214,499	0
Intergovernmental Receivable	1,453,084	3,915	1,456,999	6,706
Property Taxes Receivable	1,547,911	0	1,547,911	0
Income Taxes Receivable	1,519,828	0	1,519,828	0
Materials and Supplies Inventory	313,092	711,074	1,024,166	0
Non-Depreciable Capital Assets	1,859,384	352,934	2,212,318	0
Depreciable Capital Assets, Net	34,002,778	17,033,539	51,036,317	0
<i>Total Assets</i>	<u>47,090,109</u>	<u>23,522,567</u>	<u>70,612,676</u>	<u>22,417</u>
Deferred Outflows of Resources				
Pension	5,889,085	1,192,220	7,081,305	0
OPEB	1,570,296	153,437	1,723,733	0
<i>Total Deferred Outflows of Resources</i>	<u>7,459,381</u>	<u>1,345,657</u>	<u>8,805,038</u>	<u>0</u>
Liabilities				
Accounts Payable	83,344	90,298	173,642	17,233
Accrued Wages	301,928	95,978	397,906	0
Contracts Payable	8,725	32,435	41,160	0
Intergovernmental Payable	228,175	59,028	287,203	0
Accrued Interest Payable	22,072	16,338	38,410	0
Long-Term Liabilities:				
Due Within One Year	1,019,644	725,000	1,744,644	0
Due In More Than One Year:				
Net Pension Liability	19,546,008	4,006,907	23,552,915	0
Net OPEB Liability	4,577,644	1,854,800	6,432,444	0
Other Amounts Due in More Than One Year	6,749,179	2,899,315	9,648,494	0
<i>Total Liabilities</i>	<u>32,536,719</u>	<u>9,780,099</u>	<u>42,316,818</u>	<u>17,233</u>
Deferred Inflows of Resources				
Property Taxes	1,506,892	0	1,506,892	0
Pension	465,873	140,953	606,826	0
OPEB	724,652	69,548	794,200	0
<i>Total Deferred Inflows of Resources</i>	<u>2,697,417</u>	<u>210,501</u>	<u>2,907,918</u>	<u>0</u>
Net Position				
Net Investment in Capital Assets	29,675,252	13,992,674	43,667,926	0
Restricted for:				
Capital Projects	924,924	0	924,924	0
Debt Service	312,627	0	312,627	0
Street Maintenance	1,633,399	0	1,633,399	0
Court Operations	1,336,815	0	1,336,815	0
Community Development	370,082	0	370,082	0
Other Purposes	1,038,942	0	1,038,942	0
Unrestricted	(15,976,687)	884,950	(15,091,737)	5,184
<i>Total Net Position</i>	<u>\$ 19,315,354</u>	<u>\$ 14,877,624</u>	<u>\$ 34,192,978</u>	<u>\$ 5,184</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit New Philadelphia Health Department
	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	\$ 4,549,720	\$ 1,734,800	\$ 48,367	\$ 14,617	\$ (2,751,936)	\$ 0	\$ (2,751,936)	\$ 0
Security of Persons and Property	1,157,463	788,224	88,334	0	(280,905)	0	(280,905)	0
Public Health	930,892	82,230	0	0	(848,662)	0	(848,662)	0
Leisure Time Services	1,256,495	108,000	0	598,620	(549,875)	0	(549,875)	0
Community Development	219,012	0	0	0	(219,012)	0	(219,012)	0
Transportation	2,836,312	124,830	1,141,291	2,561,480	991,289	0	991,289	0
Interest and Fiscal Charges	185,910	0	0	0	(185,910)	0	(185,910)	0
<i>Total Governmental Activities</i>	<u>11,135,804</u>	<u>2,838,084</u>	<u>1,277,992</u>	<u>3,174,717</u>	<u>(3,845,011)</u>	<u>0</u>	<u>(3,845,011)</u>	<u>0</u>
Business-Type Activities								
Water	2,902,557	2,589,151	0	0	0	(313,406)	(313,406)	0
Sewer	2,355,852	2,632,513	0	0	0	276,661	276,661	0
Sanitation	1,783,236	1,563,066	97,470	0	0	(122,700)	(122,700)	0
<i>Total Business-Type Activities</i>	<u>7,041,645</u>	<u>6,784,730</u>	<u>97,470</u>	<u>0</u>	<u>0</u>	<u>(159,445)</u>	<u>(159,445)</u>	<u>0</u>
Component Unit								
New Philadelphia Health Department	508,403	120,495	137,219		0	0	0	(250,689)
<i>Total</i>	<u>\$ 18,685,852</u>	<u>\$ 9,743,309</u>	<u>\$ 1,512,681</u>	<u>\$ 3,174,717</u>	<u>(3,845,011)</u>	<u>(159,445)</u>	<u>(4,004,456)</u>	<u>(250,689)</u>
General Revenues:								
Property Taxes Levied for:								
					1,007,796	0	1,007,796	0
					344,550	0	344,550	0
					189,166	0	189,166	0
Income Taxes Levied for:								
					3,819,151	0	3,819,151	0
					3,330,334	0	3,330,334	0
					351,898	0	351,898	0
					579,542	0	579,542	0
					17,822	0	17,822	0
					179,145	0	179,145	0
					193,890	0	193,890	0
					942,697	0	942,697	239,131
					247,575	0	247,575	0
					264,023	78,765	342,788	11,745
<i>Total General Revenues</i>					<u>11,467,589</u>	<u>78,765</u>	<u>11,546,354</u>	<u>250,876</u>
Transfers					74,986	(74,986)	0	0
<i>Total General Revenues and Transfers</i>					<u>11,542,575</u>	<u>3,779</u>	<u>11,546,354</u>	<u>250,876</u>
<i>Change in Net Position</i>					7,697,564	(155,666)	7,541,898	187
<i>Net Position Beginning of Year (Restated, see Note 2)</i>					11,617,790	15,033,290	26,651,080	4,997
<i>Net Position End of Year</i>					<u>\$ 19,315,354</u>	<u>\$ 14,877,624</u>	<u>\$ 34,192,978</u>	<u>\$ 5,184</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

	General	Street Maintenance and Repair	Safety Forces Operation	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 1,392,160	\$ 707,214	\$ 161,971	\$ 3,776,171	\$ 6,037,516
Accounts Receivable	72,641	1,665	3,783	278,427	356,516
Intergovernmental Receivable	301,907	542,169	0	609,008	1,453,084
Property Taxes Receivable	1,014,921	0	0	532,990	1,547,911
Income Taxes Receivable	686,319	106,932	500,372	226,205	1,519,828
Materials and Supplies Inventory	109,914	203,093	0	85	313,092
<i>Total Assets</i>	<u>\$ 3,577,862</u>	<u>\$ 1,561,073</u>	<u>\$ 666,126</u>	<u>\$ 5,422,886</u>	<u>\$ 11,227,947</u>
Liabilities					
Accounts Payable	\$ 31,240	\$ 1,495	\$ 11,776	\$ 38,833	\$ 83,344
Accrued Wages	168,842	33,891	89,533	9,662	301,928
Contracts Payable	0	0	0	8,725	8,725
Intergovernmental Payable	124,686	21,115	76,689	5,685	228,175
<i>Total Liabilities</i>	<u>324,768</u>	<u>56,501</u>	<u>177,998</u>	<u>62,905</u>	<u>622,172</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	987,548	0	0	519,344	1,506,892
Unavailable Revenue	569,262	402,238	229,009	807,061	2,007,570
<i>Total Deferred Inflows of Resources</i>	<u>1,556,810</u>	<u>402,238</u>	<u>229,009</u>	<u>1,326,405</u>	<u>3,514,462</u>
Fund Balances					
Nonspendable	161,374	203,093	0	85	364,552
Restricted	0	899,241	259,119	3,758,543	4,916,903
Committed	193,059	0	0	274,948	468,007
Assigned	315,463	0	0	0	315,463
Unassigned	1,026,388	0	0	0	1,026,388
<i>Total Fund Balances</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>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 3,577,862</u>	<u>\$ 1,561,073</u>	<u>\$ 666,126</u>	<u>\$ 5,422,886</u>	<u>\$ 11,227,947</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances		\$ 7,091,313
<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.		35,862,162
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 41,019	
Income Tax	697,515	
Intergovernmental	1,098,760	
Charges for Services	<u>170,276</u>	2,007,570
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(22,072)
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	5,889,085	
Deferred Outflows - OPEB	1,570,296	
Deferred Inflows - Pension	(465,873)	
Deferred Inflows - OPEB	(724,652)	
Net Pension Liability	(19,546,008)	
Net OPEB Liability	<u>(4,577,644)</u>	(17,854,796)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(4,855,000)	
Bond Premium	(121,737)	
ODOT Loans	(716,940)	
Land Purchase Loan	(215,675)	
Lease Purchases	(341,067)	
Capital Leases	(49,503)	
Compensated Absences	<u>(1,468,901)</u>	<u>(7,768,823)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 19,315,354</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Street Maintenance and Repair	Safety Forces Operation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 991,209	\$ 0	\$ 0	\$ 525,463	\$ 1,516,672
Income Taxes	3,919,502	598,876	2,801,648	1,171,765	8,491,791
Other Local Taxes	193,890	0	0	0	193,890
Charges for Services	170,595	0	0	738,873	909,468
Licenses and Permits	169,213	0	0	249,182	418,395
Fines and Forfeitures	378,061	0	0	887,456	1,265,517
Intergovernmental	917,371	940,276	9,036	1,063,149	2,929,832
Interest	247,575	24,403	0	0	271,978
Rent	122,482	0	0	33,454	155,936
Contributions and Donations	125,404	0	0	6,340	131,744
Other	86,778	47,275	73,570	55,600	263,223
<i>Total Revenues</i>	<u>7,322,080</u>	<u>1,610,830</u>	<u>2,884,254</u>	<u>4,731,282</u>	<u>16,548,446</u>
Expenditures					
Current:					
General Government	2,718,963	0	0	985,373	3,704,336
Security of Persons and Property	2,685,835	0	2,824,162	1,076,489	6,586,486
Public Health	288,828	0	0	387,392	676,220
Leisure Time Services	757,930	0	0	0	757,930
Community Development	0	0	0	219,012	219,012
Transportation	38,618	1,846,591	0	0	1,885,209
Capital Outlay	467,453	0	20,080	1,484,563	1,972,096
Debt Service:					
Principal Retirement	13,561	12,978	0	588,487	615,026
Interest and Fiscal Charges	0	1,415	0	186,535	187,950
<i>Total Expenditures</i>	<u>6,971,188</u>	<u>1,860,984</u>	<u>2,844,242</u>	<u>4,927,851</u>	<u>16,604,265</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>350,892</u>	<u>(250,154)</u>	<u>40,012</u>	<u>(196,569)</u>	<u>(55,819)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	76,141	76,141
Inception of Lease Purchase	0	0	0	259,612	259,612
Preceeds from Sale of Capital Assets	0	800	0	0	800
Proceeds of Loans	408,538	0	0	0	408,538
Transfers In	5,500	0	0	257,212	262,712
Transfers Out	0	0	0	(262,712)	(262,712)
<i>Total Other Financing Sources (Uses)</i>	<u>414,038</u>	<u>800</u>	<u>0</u>	<u>330,253</u>	<u>745,091</u>
<i>Net Change in Fund Balance</i>	764,930	(249,354)	40,012	133,684	689,272
<i>Fund Balance Beginning of Year- Restated (See Note 2)</i>	<u>931,354</u>	<u>1,351,688</u>	<u>219,107</u>	<u>3,899,892</u>	<u>6,402,041</u>
<i>Fund Balance End 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>

See accompanying notes and accountant's compilation report.

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, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$	689,272
<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	\$ 4,603,013	
Current Year Depreciation	<u>(1,652,347)</u>	2,950,666
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.		
		(132,016)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	24,840	
Income Tax	(213,899)	
Intergovernmental	(98,766)	
Charges for Services	<u>85,481</u>	(202,344)
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	43,568	
Lease Purchases	149,410	
Capital Lease	74,634	
Land Purchase Loan	<u>7,414</u>	615,026
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		(408,538)
Inception of lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Inception of Lease Purchase	(259,612)	
Inception of Capital Lease	<u>(76,141)</u>	(335,753)
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	(3,757)	
Amortization of Premium on Bonds	<u>5,797</u>	2,040
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,257,409	
OPEB	<u>17,925</u>	1,275,334
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	(3,316,816)	
OPEB	<u>6,619,649</u>	3,302,833
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	<u>(58,956)</u>	<u>(58,956)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>7,697,564</u>

See accompanying notes and accountant's compilation report.

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, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 985,000	\$ 985,000	\$ 991,209	\$ 6,209
Income Taxes	3,296,400	3,296,400	3,545,109	248,709
Other Local Taxes	220,000	220,000	193,573	(26,427)
Charges for Services	124,100	124,100	146,118	22,018
Licenses and Permits	182,500	182,500	169,213	(13,287)
Fines and Forfeitures	380,000	380,000	372,232	(7,768)
Intergovernmental	974,000	974,000	906,041	(67,959)
Interest	100,000	100,000	135,926	35,926
Rent	75,000	75,000	90,439	15,439
Contributions and Donations	0	0	20,474	20,474
Other	57,500	57,500	78,146	20,646
<i>Total Revenues</i>	<u>6,394,500</u>	<u>6,394,500</u>	<u>6,648,480</u>	<u>253,980</u>
Expenditures				
Current:				
General Government	2,575,722	2,575,722	2,316,435	259,287
Security of Persons and Property	2,897,115	2,897,115	2,581,707	315,408
Public Health	295,552	315,052	300,435	14,617
Leisure Time Services	873,150	873,150	767,755	105,395
Transportation	44,263	44,263	39,095	5,168
Capital Outlay	25,000	25,000	19,517	5,483
Debt Service:				
Principal Retirement	13,561	13,561	13,561	0
<i>Total Expenditures</i>	<u>6,724,363</u>	<u>6,743,863</u>	<u>6,038,505</u>	<u>705,358</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(329,863)</u>	<u>(349,363)</u>	<u>609,975</u>	<u>959,338</u>
Other Financing Sources (Uses)				
Transfers In	5,500	5,500	5,500	0
<i>Net Change in Fund Balance</i>	<u>(324,363)</u>	<u>(343,863)</u>	<u>615,475</u>	<u>959,338</u>
<i>Fund Balance Beginning of Year</i>	386,151	386,151	386,151	0
Prior Year Encumbrances Appropriated	10,863	10,863	10,863	0
<i>Fund Balance End of Year</i>	<u>\$ 72,651</u>	<u>\$ 53,151</u>	<u>\$ 1,012,489</u>	<u>\$ 959,338</u>

See accompanying notes and accountant's compilation report.

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, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Income Taxes	\$ 564,000	\$ 564,000	\$ 606,990	\$ 42,990
Intergovernmental	753,000	753,000	880,214	127,214
Interest	10,000	10,000	11,998	1,998
Other	23,000	23,000	45,867	22,867
<i>Total Revenues</i>	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,545,069</u>	<u>195,069</u>
Expenditures				
Current:				
Transportation	1,910,697	2,034,697	1,798,768	235,929
Debt Service:				
Principal Retirement	899	899	12,978	(12,079)
Interest and Fiscal Charges	0	0	1,415	(1,415)
<i>Total Expenditures</i>	<u>1,911,596</u>	<u>2,035,596</u>	<u>1,813,161</u>	<u>222,435</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(561,596)</u>	<u>(685,596)</u>	<u>(268,092)</u>	<u>417,504</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	800	800
<i>Net Change in Fund Balance</i>	(561,596)	(685,596)	(267,292)	418,304
<i>Fund Balance Beginning of Year</i>	963,807	963,807	963,807	0
Prior Year Encumbrances Appropriated	592	592	592	0
<i>Fund Balance End of Year</i>	<u>\$ 402,803</u>	<u>\$ 278,803</u>	<u>\$ 697,107</u>	<u>\$ 418,304</u>

See accompanying notes and accountant's compilation report.

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, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Income Taxes	\$ 2,790,000	\$ 2,790,000	\$ 2,789,320	\$ (680)
Intergovernmental	10,000	10,000	9,036	(964)
Other	75,500	75,500	70,979	(4,521)
<i>Total Revenues</i>	<u>2,875,500</u>	<u>2,875,500</u>	<u>2,869,335</u>	<u>(6,165)</u>
Expenditures				
Current:				
Security of Persons and Property	2,785,601	2,995,420	2,860,172	135,248
Capital Outlay	36,000	36,000	20,080	15,920
<i>Total Expenditures</i>	<u>2,821,601</u>	<u>3,031,420</u>	<u>2,880,252</u>	<u>151,168</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>53,899</u>	<u>(155,920)</u>	<u>(10,917)</u>	<u>145,003</u>
<i>Net Change in Fund Balance</i>	53,899	(155,920)	(10,917)	145,003
<i>Fund Balance Beginning of Year</i>	115,146	115,146	115,146	0
Prior Year Encumbrances Appropriated	<u>42,371</u>	<u>42,371</u>	<u>42,371</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 211,416</u>	<u>\$ 1,597</u>	<u>\$ 146,600</u>	<u>\$ 145,003</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 1,297,933	\$ 2,096,919	\$ 1,168,270	\$ 4,563,122
Accounts Receivable	421,830	435,524	629	857,983
Intergovernmental Receivable	0	0	3,915	3,915
Materials and Supplies Inventory	704,324	6,199	551	711,074
<i>Total Current Assets</i>	<u>2,424,087</u>	<u>2,538,642</u>	<u>1,173,365</u>	<u>6,136,094</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	49,576	45,350	258,008	352,934
Depreciable Capital Assets, Net	7,432,744	9,038,728	562,067	17,033,539
<i>Total Non-Current Assets</i>	<u>7,482,320</u>	<u>9,084,078</u>	<u>820,075</u>	<u>17,386,473</u>
<i>Total Assets</i>	<u>9,906,407</u>	<u>11,622,720</u>	<u>1,993,440</u>	<u>23,522,567</u>
Deferred Outflows of Resources				
Pension	446,022	381,654	364,544	1,192,220
OPEB	55,039	47,177	51,221	153,437
<i>Total Deferred Outflows of Resources</i>	<u>501,061</u>	<u>428,831</u>	<u>415,765</u>	<u>1,345,657</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	18,780	21,230	50,288	90,298
Accrued Wages	38,586	30,059	27,333	95,978
Contracts Payable	32,435	0	0	32,435
Intergovernmental Payable	23,080	18,262	17,686	59,028
Accrued Interest Payable	0	16,338	0	16,338
Compensated Absences Payable	49,864	26,368	17,054	93,286
Capital Leases Payable	0	19,280	0	19,280
OPWC Loans Payable	2,689	20,469	0	23,158
OWDA Loans Payable	0	589,276	0	589,276
<i>Total Current Liabilities</i>	<u>165,434</u>	<u>741,282</u>	<u>112,361</u>	<u>1,019,077</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	65,492	53,523	18,215	137,230
OPWC Loans Payable - Net of Current Portion	38,063	464,427	0	502,490
OWDA Loans Payable - Net of Current Portion	0	2,259,595	0	2,259,595
Net Pension Liability	1,516,127	1,299,537	1,191,243	4,006,907
Net OPEB Liability	701,816	601,557	551,427	1,854,800
<i>Total Long-Term Liabilities</i>	<u>2,321,498</u>	<u>4,678,639</u>	<u>1,760,885</u>	<u>8,761,022</u>
<i>Total Liabilities</i>	<u>2,486,932</u>	<u>5,419,921</u>	<u>1,873,246</u>	<u>9,780,099</u>
Deferred Inflows of Resources				
Pension	65,206	41,805	33,942	140,953
OPEB	35,019	20,335	14,194	69,548
<i>Total Deferred Inflows of Resources</i>	<u>100,225</u>	<u>62,140</u>	<u>48,136</u>	<u>210,501</u>
Net Position				
Net Investment in Capital Assets	7,441,568	5,731,031	820,075	13,992,674
Unrestricted	378,743	838,459	(332,252)	884,950
<i>Total Net Position</i>	<u>\$ 7,820,311</u>	<u>\$ 6,569,490</u>	<u>\$ 487,823</u>	<u>14,877,624</u>

See accompanying notes and accountant's compilation report.

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, 2019

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating Revenues				
Charges for Services	\$ 2,589,151	\$ 2,632,513	\$ 1,563,066	\$ 6,784,730
Other	60,651	12,966	4,523	78,140
<i>Total Operating Revenues</i>	<u>2,649,802</u>	<u>2,645,479</u>	<u>1,567,589</u>	<u>6,862,870</u>
Operating Expenses				
Salaries and Wages	834,078	670,912	659,344	2,164,334
Fringe Benefits	626,511	519,113	537,265	1,682,889
Contractual Services	518,178	514,540	374,772	1,407,490
Materials and Supplies	507,584	125,028	149,253	781,865
Depreciation	413,604	491,752	62,414	967,770
<i>Total Operating Expenses</i>	<u>2,899,955</u>	<u>2,321,345</u>	<u>1,783,048</u>	<u>7,004,348</u>
<i>Operating Income (Loss)</i>	<u>(250,153)</u>	<u>324,134</u>	<u>(215,459)</u>	<u>(141,478)</u>
Non-Operating Revenues (Expense)				
Intergovernmental	0	0	97,470	97,470
Proceeds from Sale of Assets	625	0	0	625
Loss on Sale of Assets	(2,602)	0	0	(2,602)
Interest and Fiscal Charges	0	(34,507)	(188)	(34,695)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(1,977)</u>	<u>(34,507)</u>	<u>97,282</u>	<u>60,798</u>
<i>Income (Loss) Before Transfers</i>	<u>(252,130)</u>	<u>289,627</u>	<u>(118,177)</u>	<u>(80,680)</u>
Transfers Out	<u>(37,493)</u>	<u>(37,493)</u>	<u>0</u>	<u>(74,986)</u>
<i>Change in Net Position</i>	<u>(289,623)</u>	<u>252,134</u>	<u>(118,177)</u>	<u>(155,666)</u>
<i>Net Position Beginning of Year</i>	<u>8,109,934</u>	<u>6,317,356</u>	<u>606,000</u>	<u>15,033,290</u>
<i>Net Position End of Year</i>	<u>\$ 7,820,311</u>	<u>\$ 6,569,490</u>	<u>\$ 487,823</u>	<u>\$14,877,624</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,603,136	\$ 2,664,092	\$ 1,563,066	\$ 6,830,294
Cash Received from Other Operating Receipts	60,014	12,449	9,261	81,724
Cash Payments to Suppliers for Goods and Services	(602,557)	(125,339)	(137,663)	(865,559)
Cash Payments to Employees for Services and Benefits	(1,207,757)	(965,790)	(943,262)	(3,116,809)
Cash Payments for Contractual Services	(517,570)	(503,659)	(365,123)	(1,386,352)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>335,266</u>	<u>1,081,753</u>	<u>126,279</u>	<u>1,543,298</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	0	0	93,555	93,555
Cash Flows from Capital and Related Financing Activities				
Proceeds from Sale of Assets	625	0	0	625
Acquisition of Capital Assets	(156,676)	(87,528)	(401,840)	(646,044)
Principal Payments on Debt	(5,377)	(644,928)	(12,744)	(663,049)
Interest Payments on Debt	0	(37,932)	(750)	(38,682)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(161,428)</u>	<u>(770,388)</u>	<u>(415,334)</u>	<u>(1,347,150)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	173,838	311,365	(195,500)	289,703
<i>Cash and Investments Beginning of Year</i>	<u>1,124,095</u>	<u>1,785,554</u>	<u>1,363,770</u>	<u>4,273,419</u>
<i>Cash and Investments End of Year</i>	<u>\$ 1,297,933</u>	<u>\$ 2,096,919</u>	<u>\$ 1,168,270</u>	<u>\$ 4,563,122</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ (250,153)	\$ 324,134	\$ (215,459)	\$ (141,478)
Adjustments:				
Depreciation	413,604	491,752	62,414	967,770
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	13,348	31,062	4,738	49,148
Materials and Supplies Inventory	(101,276)	(311)	855	(100,732)
Deferred Outflows - Pension/OPEB	(228,774)	(203,693)	(153,415)	(585,882)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	6,911	10,881	20,384	38,176
Accrued Wages	4,976	1,896	2,805	9,677
Compensated Absences Payable	1,837	(3,424)	183	(1,404)
Intergovernmental Payable	225	(951)	505	(221)
Deferred Inflows - Pension/OPEB	(234,324)	(177,214)	(153,718)	(565,256)
Net Pension Liability	615,728	527,766	483,787	1,627,281
Net OPEB Liability	93,164	79,855	73,200	246,219
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 335,266</u>	<u>\$ 1,081,753</u>	<u>\$ 126,279</u>	<u>\$ 1,543,298</u>

Noncash Capital Financing Activities:

The City purchased \$32,435 of capital assets on account in 2019.

The City transferred \$37,493 and \$37,493 of construction in progress activity to governmental activities from the water and sewer funds, respectively, in 2019.

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2019

	Custodial Funds
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ 149,640
Accounts Receivable	1,354
<i>Total Assets</i>	150,994
Liabilities	
Intergovernmental Payable	150,994
Net Position	
Restricted for Individuals, Organizations and Other Governments	0
<i>Total Net Position</i>	\$ 0

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2019

	Custodial Funds
Additions	
Fines & Forfeitures for Other Governments	\$ 1,056,471
Deductions	
Fines & Forfeitures Distributions to Other Governments	1,210,211
<i>Change in Net Position</i>	(153,740)
<i>Net Position Beginning of Year - Restated (See Note 2)</i>	153,740
<i>Net Position End of Year</i>	\$ 0

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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 2019, the City paid \$288,828 in expenses on behalf of the District. This is reported as Public Health of 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, 2019

Jointly Governed Organizations

The City is associated with certain organizations which are defined as jointly governed organizations. These organizations are presented in the notes to the basic financial statements (See Note 19). 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)

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and 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).

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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 2019, investments were limited to certificates of deposit, federal securities and US treasury notes.

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 2019 amounted to \$247,575, where \$230,931 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.

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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 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, 2019, 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:

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. 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.

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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.

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.

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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.

S. Implementation of New Accounting Principles and Restatement of Net Position

Implementation of New Accounting Principles

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

The following statements are postponed by one year:

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

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

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

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

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

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

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the City's financial statements (see below).

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

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

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

Restatement of Net Position/Fund Balances

During 2019, the City began reporting the New Philadelphia City Health District as a component unit of the City. Therefore, the net position/fund balance for the health department fund is no longer reported on the City's financial statements. This change and the implementation of GASB 84 had the following effect on the net position and fund balances for governmental activities:

	Governmental Activities	New Philadelphia Health District
Net Position, December 31, 2018	\$ 11,616,352	\$ 0
Component Unit	(4,997)	4,997
GASB Statement No. 84	6,435	0
Restated Net Position, December 31, 2018	\$ 11,617,790	\$ 4,997
	General Fund	Other Governmental Funds
Fund Balance, December 31, 2018	\$ 924,919	\$ 3,904,889
Component Unit	0	(4,997)
GASB Statement No. 84	6,435	0
Restated Fund Balance, December 31, 2018	\$ 931,354	\$ 3,899,892

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The implementation of GASB 84 had the following effect on fiduciary net position as reported December 31, 2018:

	Fiduciary Funds	
	Agency	Custodial
Net Position, December 31, 2018	\$ 0	\$ 0
Adjustments:		
Assets	(160,175)	153,740
Liabilities	160,175	0
Restated Net Position, December 31, 2018	\$ 0	\$ 153,740

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.

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Net Change in Fund Balance

	General	Street Maintenance and Repair	Safety Forces Operation
GAAP Basis	\$ 764,930	\$ (249,354)	\$ 40,012
Net Adjustment for Revenue Accruals	(124,554)	(65,761)	(14,919)
Net Adjustment for Expenditure Accruals	118,484	52,287	(24,604)
Funds Budgeted Elsewhere	(104,830) **	0	0
Adjustment for Encumbrances	(38,555)	(4,464)	(11,406)
Budget Basis	\$ 615,475	\$ (267,292)	\$ (10,917)

** 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 and airport capital improvement funds, and profit sharing lots.

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:

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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;
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, 2019 the City had \$300 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Investments."

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Deposits - At year-end, \$4,149,365 of the City's bank balance of \$4,820,853 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.

Investments

As of December 31, 2019, 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	\$ 46,042	\$ 46,042	\$ 0	\$ 0	0.7%
	Fair Value:					
AA+	Federal Home Loan Mortgage	1,245,773	499,955	498,015	247,803	19.5%
Aaa	Federal Farm Credit Bank	1,096,784	0	0	1,096,784	17.2%
AAA	Federal Home Loan Banks	500,140	500,140	0	0	7.9%
Aaa	Federal National Mortgage Association MTN	573,575	573,575	0	0	9.0%
N/A	Negotiable Certificates of Deposit	2,601,294	1,244,219	0	1,112,016	40.8%
AA+	US Treasury Notes	310,642	310,642	0	0	4.9%
	Total Investments	\$ 6,374,250	\$ 3,174,573	\$ 498,015	\$ 2,456,603	100.0%

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, 2019. 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.

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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, 2019.

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

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$4.70 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 334,368,110
Public Utilities - Real	29,000
Public Utilities - Personal	12,950,500
 Total Assessed Value	 \$ 347,347,610

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, 2019, and for which there was an enforceable legal claim. In

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governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6: RECEIVABLES

Receivables at December 31, 2019 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 2019, the balance was allocated 69 percent to the general fund, 12 percent to the street maintenance and repair special revenue fund, 12 percent to the police and fire pension special revenue fund, and 7 percent to the cemetery special revenue fund. For 2020, the allocation for the police and fire pension fund was reduced to 10 percent and 2 percent was allocated to the master capital projects fund.

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2019, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
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

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

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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 9: CAPITAL ASSETS

A summary of changes in capital assets during 2019 follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,621,119	\$ 0	\$ 0	\$ 1,621,119
Construction in progress	335,160	1,176,146	(1,273,041)	238,265
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,956,279</u>	<u>1,176,146</u>	<u>(1,273,041)</u>	<u>1,859,384</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Building Improvements	12,359,638	636,376	0	12,996,014
Improvements Other than Buildings	7,729,874	796,675	0	8,526,549
Machinery and Equipment	5,601,133	241,090	(160,674)	5,681,549
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	5,246,018	449,118	(15,100)	5,680,036
Infrastructure	33,143,904	2,576,649	0	35,720,553
<i>Total Capital Assets, Being Depreciated</i>	<u>64,190,658</u>	<u>4,699,908</u>	<u>(175,774)</u>	<u>68,714,792</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(4,767,110)	(283,673)	0	(5,050,783)
Improvements Other than Buildings	(3,273,993)	(225,923)	0	(3,499,916)
Machinery and Equipment	(3,861,629)	(153,890)	29,413	(3,986,106)
Furniture and Fixtures	(102,801)	(1,046)	0	(103,847)
Vehicles	(3,224,015)	(222,002)	14,345	(3,431,672)
Infrastructure	(17,873,877)	(765,813)	0	(18,639,690)
<i>Total Accumulated Depreciation</i>	<u>(33,103,425)</u>	<u>(1,652,347) *</u>	<u>43,758</u>	<u>(34,712,014)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>31,087,233</u>	<u>3,047,561</u>	<u>(132,016)</u>	<u>34,002,778</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 33,043,512</u>	<u>\$ 4,223,707</u>	<u>\$ (1,405,057)</u>	<u>\$ 35,862,162</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 152,614
Security of Persons and Property	327,660
Leisure Time Services	240,863
Transportation	916,728
Public Health	14,482
Total	<u>\$ 1,652,347</u>

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	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 51,892	\$ 0	\$ 0	\$ 51,892
Construction in progress	0	301,042	0	301,042
<i>Total Capital Assets Not Being Depreciated</i>	<u>51,892</u>	<u>301,042</u>	<u>0</u>	<u>352,934</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Building Improvements	9,840,449	12,922	0	9,853,371
Improvements Other than Buildings	6,903,852	0	0	6,903,852
Machinery and Equipment	5,102,899	72,262	0	5,175,161
Furniture and Fixtures	20,554	0	0	20,554
Vehicles	2,505,864	217,267	(52,031)	2,671,100
Sewer Lines	6,876,133	0	0	6,876,133
Water Lines	15,000,361	0	0	15,000,361
<i>Total Capital Assets, Being Depreciated</i>	<u>46,250,112</u>	<u>302,451</u>	<u>(52,031)</u>	<u>46,500,532</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(6,304,479)	(221,322)	0	(6,525,801)
Improvements Other than Buildings	(3,375,020)	(198,773)	0	(3,573,793)
Machinery and Equipment	(4,372,582)	(44,948)	0	(4,417,530)
Furniture and Fixtures	(19,526)	0	0	(19,526)
Vehicles	(1,746,334)	(107,547)	49,429	(1,804,452)
Sewer Lines	(3,398,457)	(112,130)	0	(3,510,587)
Water Lines	(9,332,254)	(283,050)	0	(9,615,304)
<i>Total Accumulated Depreciation</i>	<u>(28,548,652)</u>	<u>(967,770)</u>	<u>49,429</u>	<u>(29,466,993)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>17,701,460</u>	<u>(665,319)</u>	<u>(2,602)</u>	<u>17,033,539</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 17,753,352</u>	<u>\$ (364,277)</u>	<u>\$ (2,602)</u>	<u>\$ 17,386,473</u>

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.

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$764,728 for 2019. Of this amount, \$58,442 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$775,630 for 2019. Of this amount, \$134,223 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.039541%	0.155874%	
Prior Measurement Period	0.040996%	0.160651%	
Change in Proportion	<u>-0.001455%</u>	<u>-0.004777%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 10,829,478	\$ 12,723,437	\$ 23,552,915
Pension Expense	\$ 2,404,473	\$ 1,783,278	\$ 4,187,751

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 1,469,863	\$ 1,567,519	\$ 3,037,382
Differences between Expected and			
Actual Experience	501	522,755	523,256
Changes of Assumptions	942,728	337,315	1,280,043
Changes in Proportionate Share	154,040	546,226	700,266
City Contributions Subsequent			
to the Measurement Date	<u>764,728</u>	<u>775,630</u>	<u>1,540,358</u>
Total Deferred Outflows of Resources	<u>\$ 3,331,860</u>	<u>\$ 3,749,445</u>	<u>\$ 7,081,305</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 142,197	\$ 11,882	\$ 154,079
Changes in Proportionate Share	198,511	254,236	452,747
Total Deferred Inflows of Resources	<u>\$ 340,708</u>	<u>\$ 266,118</u>	<u>\$ 606,826</u>

\$1,540,358 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 1,010,896	\$ 841,230	\$ 1,852,126
2021	395,574	498,460	894,034
2022	136,360	538,373	674,733
2023	683,594	770,209	1,453,803
2024	0	59,425	59,425
	\$ 2,226,424	\$ 2,707,697	\$ 4,934,121

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, 2018, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018 are presented below.

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Valuation Date	December 31, 2018
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	
Measurement Date	7.20 percent
Prior Measurement Date	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	<u>18.00</u>	<u>5.50</u>
Total	<u>100.00 %</u>	<u>5.95 %</u>

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

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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	\$ 15,998,289	\$ 10,829,478	\$ 6,534,150

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

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

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

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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.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30 Year Expected Real Rate of Return**</u>
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-U.S. Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income*	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation Linked Bonds*	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	<u>12.00</u>	5.70	6.10
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.

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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	\$ 16,724,081	\$ 12,723,437	\$ 9,380,321

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 refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City had no contractually required contribution 2019.

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$17,925 for 2019. Of this amount, \$3,119 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.038450%	0.155874%	
Prior Measurement Period	0.040035%	0.160651%	
Change in Proportion	<u>-0.001585%</u>	<u>-0.004777%</u>	
Proportionate Share of the Net			
OPEB Liability	\$ 5,012,972	\$ 1,419,472	\$ 6,432,444
OPEB Expense	\$ 463,843	\$ (6,949,116)	\$ (6,485,273)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on OPEB Plan Investments	\$ 229,816	\$ 48,049	\$ 277,865
Differences between Expected and			
Actual Experience	1,698	0	1,698
Changes of Assumptions	161,625	735,785	897,410
Changes in Proportionate Share	94,313	434,522	528,835
City Contributions Subsequent			
to the Measurement Date	<u>0</u>	<u>17,925</u>	<u>17,925</u>
Total Deferred Outflows of Resources	<u>\$ 487,452</u>	<u>\$ 1,236,281</u>	<u>\$ 1,723,733</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 13,601	\$ 38,031	\$ 51,632
Changes of Assumptions	0	392,977	392,977
Changes in Proportionate Share	<u>137,239</u>	<u>212,352</u>	<u>349,591</u>
Total Deferred Inflows of Resources	<u>\$ 150,840</u>	<u>\$ 643,360</u>	<u>\$ 794,200</u>

\$17,925 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 189,247	\$ 102,374	\$ 291,621
2021	(4,531)	102,374	97,843
2022	36,121	102,372	138,493
2023	115,775	116,905	232,680
2024	0	93,994	93,994
Thereafter	<u>0</u>	<u>56,977</u>	<u>56,977</u>
	<u>\$ 336,612</u>	<u>\$ 574,996</u>	<u>\$ 911,608</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, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.50 percent
Municipal Bond Rate	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Prior Measurement Date	7.50 percent, initial, 3.25 percent ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the 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.

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trusts	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal

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to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 6,413,460	\$ 5,012,972	\$ 3,899,215

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 4,818,554	\$ 5,012,972	\$ 5,236,890

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are 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, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Stipend Increase Rate	The stipend is not assumed to increase over the projection period.
Investment Rate of Return	
Current Measurement Date	8.00 percent
Prior Measurement Date	8.00 percent
Single Discount Rate:	
Current Measurement Date	4.66 percent
Prior Measurement Date	3.24 percent
Municipal Bond Rate	
Current Measurement Date	4.13 percent
Prior Measurement Date	3.16 percent
Health Care Cost Trend Rate	N/A-based on a medical benefit that is a flat dollar amount, therefore, it is unaffected by a health care cost trend rate.
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.

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.

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-U.S. Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income*	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

Note: Assumptions are geometric.

* Levered 2x

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not

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be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 1,729,304	\$ 1,419,472	\$ 1,159,394

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 \$512 for single care and \$1,173 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, 2019, the total liability for unpaid compensated absences was \$1,699,417.

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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	0.00	\$ 350,000	January 1, 2024
Ohio Public Works Commission - 2004	0.00	100,000	July 1, 2025
Ohio Public Works Commission - 2008	0.00	60,591	January 1, 2024
Ohio Public Works Commission - 2016	0.00	387,969	July 1, 2039
Ohio Public Works Commission - 2017	0.00	11,317	January 1, 2048
Ohio Water Development Water Authority - 2001	0.20	8,238,264	July 1, 2023
Ohio Water Development Water Authority - 2002	0.00	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 2019 were as follows:

	Amount Outstanding 12/31/2018	Additions	(Reductions)	Amount Outstanding 12/31/2019	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2013 City Improvement Refunding Bonds	\$ 545,000	\$ 0	\$ (185,000)	\$ 360,000	\$ 180,000
2016 Fire Station Construction Bonds Serial and Term Bonds	4,650,000	0	(155,000)	4,495,000	160,000
Unamortized Premium	127,534	0	(5,797)	121,737	0
<i>Total General Obligaion Bonds</i>	<u>5,322,534</u>	<u>0</u>	<u>(345,797)</u>	<u>4,976,737</u>	<u>340,000</u>
Direct Borrowings:					
Ohio Department of Transportation-West High Widening	256,508	0	(43,568)	212,940	44,885
Ohio Department of Transportation-12-bay Hanger	95,462	408,538	0	504,000	0
First Federal Cemetery Loan	223,089	0	(7,414)	215,675	7,728
Lease Purchases	230,865	259,612	(149,410)	341,067	141,278
<i>Total Direct Borrowings</i>	<u>805,924</u>	<u>668,150</u>	<u>(200,392)</u>	<u>1,273,682</u>	<u>193,891</u>
Other Long-Term Obligations					
Pension	13,911,659	5,634,349	0	19,546,008	0
OPEB	11,841,171	0	(7,263,527)	4,577,644	0
Compensated Absences	1,409,945	500,132	(441,176)	1,468,901	461,610
Capital Leases	47,996	76,141	(74,634)	49,503	24,143
<i>Total Other Long-Term Obligations</i>	<u>27,210,771</u>	<u>6,210,622</u>	<u>(7,779,337)</u>	<u>25,642,056</u>	<u>485,753</u>
<i>Total Governmental Activities</i>	<u>\$ 33,339,229</u>	<u>\$ 6,878,772</u>	<u>\$ (8,325,526)</u>	<u>\$ 31,892,475</u>	<u>\$ 1,019,644</u>

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	Amount Outstanding 12/31/2018	Additions	(Reductions)	Amount Outstanding 12/31/2019	Amounts Due in One Year
Business-Type Activities:					
<i>Direct Borrowings:</i>					
<i>OPWC Loans:</i>					
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	\$ 96,250	\$ 0	\$ (17,500)	\$ 78,750	\$ 8,750
Ohio Public Works Commission Loan - Clearwell	35,000	0	(5,000)	30,000	2,500
Ohio Public Works Commission -Bluebell Pump Station	22,216	0	(4,039)	18,177	2,020
Ohio Public Works Commission -WTP Backwash	11,129	0	(377)	10,752	189
Ohio Public Works Commission -WWTP Headworks Upgrade	387,969	0	0	387,969	9,699
<i>Total OPWC Loans</i>	<u>552,564</u>	<u>0</u>	<u>(26,916)</u>	<u>525,648</u>	<u>23,158</u>
<i>OWDA Loans:</i>					
Ohio Water Development Authority Loan - Sewer Plant Expansion and Upgrade	2,090,546	0	(416,439)	1,674,107	417,273
Ohio Water Development Authority Loan - Bass Lake Project	411,450	0	(82,290)	329,160	82,290
Ohio Water Development Authority Loan - Waste Water Treatment Plant Improvements	277,614	0	(51,707)	225,907	53,548
Ohio Water Development Authority Loan - Sewer Loan	128,918	0	(8,436)	120,482	8,798
Ohio Water Development Authority Loan - 5 Points Storm Sewer	525,704	0	(26,489)	499,215	27,367
<i>Total OWDA Loans</i>	<u>3,434,232</u>	<u>0</u>	<u>(585,361)</u>	<u>2,848,871</u>	<u>589,276</u>
<i>Total Direct Borrowings</i>	<u>3,986,796</u>	<u>0</u>	<u>(612,277)</u>	<u>3,374,519</u>	<u>612,434</u>
<i>Other Long-Term Obligations:</i>					
Net Pension Liability	2,379,626	1,627,281	0	4,006,907	0
Net OPEB Liability	1,608,581	246,219	0	1,854,800	0
Compensated Absences	231,920	96,231	(97,635)	230,516	93,286
Capital Leases	70,052	0	(50,772)	19,280	19,280
<i>Total Other Long-Term Obligations</i>	<u>4,290,179</u>	<u>1,969,731</u>	<u>(148,407)</u>	<u>6,111,503</u>	<u>112,566</u>
<i>Total Business-Type Activities</i>	<u>\$ 8,276,975</u>	<u>\$ 1,969,731</u>	<u>\$ (760,684)</u>	<u>\$ 9,486,022</u>	<u>\$ 725,000</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 is being repaid from the Evergreen Burial Park fund. Governmental activities capital leases are being repaid from the fire capital equipment, street maintenance and repair, cemetery, and municipal court computer improvement 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.

City of New Philadelphia
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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 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 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.

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Notes To The Basic Financial Statements
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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 a fire tanker truck 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 fire tanker truck 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 \$3,374,519 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 41.5 percent. The total principal and interest remaining to be paid on the loans is \$3,552,339. Principal and interest paid for the current year and total net revenues were \$3,552,339 and \$979,337, 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 County treasurer to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default.

In the event of default, as defined 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 County to pay any fines or penalties incurred with interest.

City of New Philadelphia
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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

	General Obligation Bonds		ODOT Loans		First Federal Cemetery Loan		Lease Purchases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 340,000	\$ 153,180	\$ 44,885	\$ 6,054	\$ 7,728	\$ 9,577	\$ 141,278	\$ 11,899	\$ 533,891	\$ 180,710
2021	340,000	146,380	67,528	20,106	8,110	9,195	132,867	7,030	548,505	182,711
2022	165,000	139,400	69,595	18,040	8,483	8,822	66,922	2,998	310,000	169,260
2023	170,000	136,100	71,723	15,911	8,873	8,432	0	0	250,596	160,443
2024	175,000	131,850	48,446	13,718	9,257	8,047	0	0	232,703	153,615
2025-2029	940,000	582,925	128,188	55,286	53,182	32,933	0	0	1,121,370	671,144
2030-2034	1,105,000	419,775	149,441	34,033	66,584	19,530	0	0	1,321,025	473,338
2035-2039	1,325,000	189,663	137,134	9,647	53,458	4,214	0	0	1,515,592	203,524
2040-2043	295,000	9,956	0	0	0	0	0	0	295,000	9,956
	<u>\$ 4,855,000</u>	<u>\$ 1,909,229</u>	<u>\$ 716,940</u>	<u>\$ 172,795</u>	<u>\$ 215,675</u>	<u>\$ 100,750</u>	<u>\$ 341,067</u>	<u>\$ 21,927</u>	<u>\$ 6,128,682</u>	<u>\$ 2,204,701</u>

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

	Ohio Public Works Commission Loans		Ohio Water Development Authority Loans		Total	
	Principal		Principal	Interest	Principal	Interest
	2020	\$ 23,158	\$ 589,276	\$ 31,580	\$ 31,580	\$ 612,434
2021	46,314	593,303	26,733	26,733	639,617	26,733
2022	46,314	597,447	22,909	22,909	643,761	22,909
2023	46,314	601,710	18,767	18,767	648,024	18,767
2024	46,315	41,593	15,600	15,600	87,908	15,600
2025-2029	106,375	231,285	46,628	46,628	337,660	46,628
2030-2034	98,875	194,257	15,603	15,603	293,132	15,603
2035-2039	108,583	0	0	0	108,583	0
2040-2044	1,885	0	0	0	1,885	0
2045-2048	1,515	0	0	0	1,515	0
	<u>\$ 525,648</u>	<u>\$ 2,848,871</u>	<u>\$ 177,820</u>	<u>\$ 177,820</u>	<u>\$ 3,374,519</u>	<u>\$ 177,820</u>

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

NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE

In 2019, the City entered into a lease agreement for a vehicle for the police department. In prior years, the City entered into lease agreements for vehicles for the park, cemetery, and general services. These debts will be paid by the master capital improvement fund, street maintenance and repair fund, and cemetery fund. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

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In 2019 the City entered into lease agreement for a sewer vehicle. In prior years, the City entered into lease agreements for water, sewer, and sanitation vehicles. These debts will be paid by the respectively related revenue funds as well as the assets have been record to their respective funds.

The assets acquired by the leases have been capitalized in the amount of \$375,284, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$75,045 as of December 31, 2019, leaving a current book value of \$300,239. 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.

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, 2019:

		<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Year Ending December 31:	2020	\$ 26,638	\$ 20,204
	2021	<u>26,638</u>	<u>0</u>
Minimum lease payments		53,276	20,204
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(3,773)</u>	<u>(924)</u>
Present value of minimum lease payments		<u>\$ 49,503</u>	<u>\$ 19,280</u>

NOTE 15: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019, consisted of the following.

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental:		
General	\$ 0	\$ 5,500
Nonmajor Governmental Funds:		
Municipal Special Projects	5,500	0
Cemetery Endowment	257,212	0
Cemetery Endowment 2019	<u>0</u>	<u>257,212</u>
Totals	<u>\$ 262,712</u>	<u>\$ 262,712</u>

The interfund transfer made from the municipal special projects fund was the result of a court order for wages incurred. The transfer from the cemetery endowment fund to the cemetery endowment 2019 fund was for the creation of the new fund for the maintenance of cemeteries. In addition, construction in progress activity in the amounts of \$37,493 and \$37,493 were transferred from business-type activities to governmental activities. This reflects the amounts that the water and sewer funds, respectively, spent on the Coniglio boat ramp project in 2019.

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

NOTE 16: SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2019, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2019</u>
Hall Community Development	\$ 42,800	\$ 23,050	\$ 19,750
WE Quicksall - Southside Community Park	466,642	158,647	307,995
WE Quicksall -CDBG 2019	35,000	0	35,000
WE Quicksall -Lakeview Sidewalks	56,225	53,415	2,810
Michael Baker, Jr. - PAPI Light Runway Engineering	100,000	0	100,000
Michael Baker, Jr. Grant Admin 2018	15,871	2,893	12,978
Michael Baker, Jr. Grant Admin 2019	13,614	1,345	12,269
Totals	<u>\$ 730,152</u>	<u>\$ 239,350</u>	<u>\$ 490,802</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	\$ 43,255
Safety Forces Operation	11,407
Other Governmental Funds	<u>171,096</u>
Totals	<u>\$ 225,758</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.

NOTE 17: 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, 2019.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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.

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	\$ 109,914	\$ 203,093	\$ 0	\$ 85	\$ 313,092
Unclaimed Monies	51,460	0	0	0	51,460
Total Nonspendable	<u>161,374</u>	<u>203,093</u>	<u>0</u>	<u>85</u>	<u>364,552</u>
Restricted for:					
Public Safety and Law Enforcement	0	0	259,119	320,592	579,711
Street Maintenance	0	899,241	0	229,426	1,128,667
Cemetery	0	0	0	563,480	563,480
Debt Service	0	0	0	310,417	310,417
Municipal Court	0	0	0	1,369,784	1,369,784
Community Development	0	0	0	107,232	107,232
Capital Outlay	0	0	0	852,883	852,883
Other	0	0	0	4,729	4,729
Total Restricted	<u>0</u>	<u>899,241</u>	<u>259,119</u>	<u>3,758,543</u>	<u>4,916,903</u>
Committed for:					
Fire and Ambulance	0	0	0	251,386	251,386
Debt Service	0	0	0	15,541	15,541
Municipal Court	193,059	0	0	0	193,059
Other Purposes	0	0	0	8,021	8,021
Total Committed	<u>193,059</u>	<u>0</u>	<u>0</u>	<u>274,948</u>	<u>468,007</u>
Assigned:					
Encumbrances					
General Government	7,024	0	0	0	7,024
Security of Persons and Property	12,178	0	0	0	12,178
Transportation	666	0	0	0	666
Public Health	633	0	0	0	633
Leisure Time Activities	8,794	0	0	0	8,794
Airport Capital Improvement	38,985	0	0	0	38,985
Income Tax	9,978	0	0	0	9,978
Subsequent Year Appropriations	237,205	0	0	0	237,205
Total Assigned	<u>315,463</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>315,463</u>
Unassigned	<u>1,026,388</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,026,388</u>
Total Fund Balance	<u>\$ 1,696,284</u>	<u>\$ 1,102,334</u>	<u>\$ 259,119</u>	<u>\$ 4,033,576</u>	<u>\$ 7,091,313</u>

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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 2019, 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 2019, 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 2019, no monies were 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 2019, no monies were paid by the City.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
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NOTE 20: SUBSEQUENT EVENT

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

NOTE 21: 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 Board is operating by a board with all members being appointed by the City. The City provides funding to the Board, thus the City can impose will on the Board, and the Board imposes a financial burden to the City. Therefore, the Board 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.

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

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.

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.

City of New Philadelphia
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2019

Receivables

Receivables at December 31, 2019 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 belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains Insured risks up to an amount specified in the contracts. At December 31, 2018 (the latest information available), PEP retained \$500,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claim payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and net position at December 31, 2018 (the most recent available):

	<u>2018</u>
Casualty Coverage and Property Coverage	
Assets	\$ 49,921,998
Liabilities	<u>(14,676,199)</u>
Net Position	<u>\$ 35,245,799</u>

At December 31, 2018 the liabilities above include approximately \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$11.8 million of unpaid claims to be billed. The Pool's membership increased from 527 members in 2017 to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As

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

of December 31, 2019, the District's share of these unpaid claims collectible in future years is approximately \$3,700.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2019</u>	<u>2018</u>
\$ 5,950	\$ 5,928

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

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.

Litigation Management is not aware of any pending litigation.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
City's Proportion of the Net Pension Liability	0.0395410%	0.0409956%	0.0385608%	0.0393160%
City's Proportionate Share of the Net Pension Liability	\$ 10,829,478	\$ 6,431,422	\$ 8,756,492	\$ 6,810,027
City's Covered Payroll	\$ 5,340,679	\$ 5,670,757	\$ 4,989,825	\$ 4,863,000
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	113.41%	175.49%	140.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
City's Proportion of the Net Pension Liability	0.1558740%	0.1606510%	0.1483620%	0.1492050%
City's Proportionate Share of the Net Pension Liability	\$ 12,723,437	\$ 9,859,863	\$ 9,397,131	\$ 9,598,462
City's Covered Payroll	\$ 3,471,004	\$ 3,445,910	\$ 3,138,985	\$ 2,968,896
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	366.56%	286.13%	299.37%	323.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%

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

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

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>
0.0399860%	0.0399860%
\$ 4,822,758	\$ 4,713,828
\$ 4,903,692	\$ 3,982,946
98.35%	118.35%
86.45%	86.36%
0.1453451%	0.1453451%
\$ 7,529,482	\$ 7,078,762
\$ 2,894,854	\$ 2,140,640
260.10%	330.68%
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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 764,728	\$ 747,695	\$ 737,198	\$ 598,779
Contributions in Relation to the Contractually Required Contribution	<u>(764,728)</u>	<u>(747,695)</u>	<u>(737,198)</u>	<u>(598,779)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 5,462,343	\$ 5,340,679	\$ 5,670,757	\$ 4,989,825
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 775,630	\$ 747,659	\$ 742,971	\$ 675,455
Contributions in Relation to the Contractually Required Contribution	<u>(775,630)</u>	<u>(747,659)</u>	<u>(742,971)</u>	<u>(675,455)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,585,069	\$ 3,471,004	\$ 3,445,910	\$ 3,138,985
Contributions as a Percentage of Covered Payroll	21.64%	21.54%	21.56%	21.52%

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

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 583,560	\$ 588,443	\$ 517,783	n/a	n/a	n/a
<u>(583,560)</u>	<u>(588,443)</u>	<u>(517,783)</u>	n/a	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a
\$ 4,863,000	\$ 4,903,692	\$ 3,982,946	n/a	n/a	n/a
12.00%	12.00%	13.00%	n/a	n/a	n/a
\$ 639,089	\$ 608,260	\$ 389,142	\$ 375,944	\$ 397,105	\$ 485,569
<u>(639,089)</u>	<u>(608,260)</u>	<u>(389,142)</u>	<u>(375,944)</u>	<u>(397,105)</u>	<u>(485,569)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,968,896	\$ 2,894,854	\$ 2,140,640	\$ 2,488,687	\$ 2,606,907	\$ 3,190,353
21.53%	21.01%	18.18%	15.11%	15.23%	15.22%

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 Three Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net OPEB Liability	0.0384500%	0.0400351%	0.0380020%
City's Proportionate Share of the Net OPEB Liability	\$ 5,012,972	\$ 4,347,514	\$ 3,838,331
City's Covered Payroll	\$ 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	93.86%	76.67%	76.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net OPEB Liability	0.1558740%	0.1606510%	0.1483620%
City's Proportionate Share of the Net OPEB Liability	\$ 1,419,472	\$ 9,102,238	\$ 7,042,410
City's Covered Payroll	\$ 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	40.90%	264.15%	224.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 54,176	\$ 99,797
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(54,176)</u>	<u>(99,797)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll (1)	\$ 5,462,343	\$ 5,340,679	\$ 5,670,757	\$ 4,989,825
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.96%	2.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 17,925	\$ 17,355	\$ 17,230	\$ 15,695
Contributions in Relation to the Contractually Required Contribution	<u>(17,925)</u>	<u>(17,355)</u>	<u>(17,230)</u>	<u>(15,695)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,585,069	\$ 3,471,004	\$ 3,445,910	\$ 3,138,985
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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 14,844	\$ 174,031	\$ 173,471	\$ 167,987	\$ 175,965	\$ 216,302
<u>(14,844)</u>	<u>(174,031)</u>	<u>(173,471)</u>	<u>(167,987)</u>	<u>(175,965)</u>	<u>(216,302)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,968,896	\$ 2,894,854	\$ 2,140,640	\$ 2,488,687	\$ 2,606,907	\$ 3,190,353
0.50%	6.00%	8.10%	6.75%	6.75%	6.78%

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, 2019

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

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

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

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

Changes in Assumptions – OP&F

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

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

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

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

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

Changes in Assumptions – OP&F

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

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

Changes in Benefit Terms – OP&F

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