

City of New Philadelphia
Tuscarawas County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2016

City of New Philadelphia
Tuscarawas County, Ohio
December 31, 2016
Table of Contents

	<i>Page</i>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Safety Forces Operation Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – CHIP/CDBG Grant Fund	23
Statement of Fund Net Position – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Assets and Liabilities – Agency Funds	27
Notes to the Basic Financial Statements	28

City of New Philadelphia
Tuscarawas County, Ohio
December 31, 2016
Table of Contents (Continued)

	<i>Page</i>
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability	69
Schedule of City Contributions	70
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	72
Schedule of Findings and Responses	74
Schedule of Prior Audit Findings	76

June 26, 2017

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, the safety forces operation and the CHIP/CDBG grant fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions on pages 5-14, 69, and 70-71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

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, 2016

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, 2016. 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 2016 are as follows:

- In total, net position decreased \$1,411,205, which represents a 3 percent decrease from 2015. Net position of governmental activities decreased \$1,350,033 and the net position of business-type activities decreased \$61,172.
- Total capital assets increased \$673,277 in 2016. Capital assets of governmental activities increased \$1,416,452 while capital assets of business-type activities decreased \$743,175.
- Outstanding debt increased from \$6,929,654 to \$11,134,734 due to a new serial bond for the fire station, offset by principal payments made during the year.

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 2016 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, safety forces operation fund, the CHIP/CDGB grant fund, and the fire station fund are the most significant governmental funds. Business-type funds consist of the water, sewer and sanitation funds.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

A question typically asked about the City's finances "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the City 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, safety forces operation fund, the CHIP/CDBG grant fund, and the fire station fund.

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

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

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.

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 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 14,056,610	\$ 9,940,929	\$ 4,702,522	\$ 4,385,431	\$ 18,759,132	\$ 14,326,360
Net Pension Asset	0	1,121	0	715	0	1,836
Capital Assets	29,695,690	28,279,238	18,542,788	19,285,963	48,238,478	47,565,201
<i>Total Assets</i>	43,752,300	38,221,288	23,245,310	23,672,109	66,997,610	61,893,397
Deferred Outflows of Resources						
Pension	4,030,075	1,478,239	968,574	328,377	4,998,649	1,806,616
Liabilities						
Current and Other Liabilities	1,009,556	405,203	224,151	149,919	1,233,707	555,122
Long-Term Liabilities						
Due Within One Year	952,588	702,919	758,417	694,022	1,711,005	1,396,941
Due in More Than One Year						
Net Pension Liability (See Note 10)	13,872,052	10,473,646	2,536,437	1,878,594	16,408,489	12,352,240
Other Amounts	7,055,831	2,002,026	4,368,746	4,926,292	11,424,577	6,928,318
<i>Total Liabilities</i>	22,890,027	13,583,794	7,887,751	7,648,827	30,777,778	21,232,621
Deferred Inflows of Resources						
Property Taxes and Other	1,378,309	1,342,580	0	0	1,378,309	1,342,580
Pension	142,984	52,065	68,867	33,221	211,851	85,286
<i>Total Deferred Inflows of Resources</i>	1,521,293	1,394,645	68,867	33,221	1,590,160	1,427,866
Net Position						
Net Investment in Capital Assets	25,762,888	26,678,660	14,241,391	14,556,629	40,004,279	41,235,289
Restricted	5,890,052	4,538,737	0	0	5,890,052	4,538,737
Unrestricted	(8,281,885)	(6,496,309)	2,015,875	1,761,809	(6,266,010)	(4,734,500)
<i>Total Net Position</i>	\$ 23,371,055	\$ 24,721,088	\$ 16,257,266	\$ 16,318,438	\$ 39,628,321	\$ 41,039,526

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

At year end, capital assets represented 72 percent of total assets. Capital assets include, land, buildings and building improvements, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, infrastructure, water and sewer lines and construction in progress. Capital assets, net of related debt were \$40,004,279 at December 31, 2016, with \$25,762,888 in governmental activities and \$14,241,391 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.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

A portion of the City's net position, \$5,890,052 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$6,266,010.

For governmental activities, the City saw a \$4,115,681 increase in current and other assets. This was primarily caused by an increase in cash due to a new serial bond for the new fire station and not all proceeds spent in 2016; and an increase in intergovernmental receivables due to an increase in CDBG grant monies.

For business-type activities, the City saw a \$317,091 increase in current and other assets. This was primarily caused by operating revenues outpacing operating and capital expenses primarily in the sanitation fund as well as an increase in materials and supplies inventory in the water fund.

For governmental activities, the City saw a \$1,416,452 increase in capital assets. This was primarily due to an increase in construction in progress for the new fire station offset by depreciation expense.

For business-type activities, the City saw a \$743,175 decrease in capital assets. This was primarily due to depreciation expense exceeding additions.

For governmental activities, the City saw a \$604,353 increase in current and other liabilities. This was primarily due to an increase in contracts and retainage payable related to the new fire station construction.

For business-type activities, the City saw a \$74,232 increase in current liabilities. This was primarily due to an increase in accrued wages and intergovernmental payables due to timing of payroll and an increase in accounts payable due to timing.

For governmental activities, the City saw a \$5,303,474 increase in long term liabilities excluding net pension liability. This was primarily due a new serial bond for the fire station construction, offset by principal payments.

For business-type activities, the City saw a \$493,151 decrease in long term liabilities (excluding net pension liability). This was primarily due to principal payments on debt.

For governmental activities and business-type activities, the City saw a \$4,056,249 increase in net pension liability due to GASB 68 calculations. In addition, there was a \$3,192,033 increase in deferred outflows for pension that was caused by calculation of GASB 68.

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 2016 and 2015.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Table 2 shows the changes in net position for fiscal year 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,339,657	\$ 2,389,485	\$ 6,252,243	\$ 6,189,767	\$ 8,591,900	\$ 8,579,252
Operating Grants	2,137,617	964,230	67,222	18,583	2,204,839	982,813
Capital Grants	65,000	1,094,891	0	0	65,000	1,094,891
<i>General Revenues:</i>						
Property Taxes	1,380,502	1,076,093	0	0	1,380,502	1,076,093
Income Taxes	7,372,198	7,250,764	0	0	7,372,198	7,250,764
Other Taxes	191,811	222,923	0	0	191,811	222,923
Grants and Entitlements	525,463	654,395	0	0	525,463	654,395
Investment Earnings	47,246	11,642	0	0	47,246	11,642
Miscellaneous	162,151	172,929	86,925	77,294	249,076	250,223
<i>Total Revenues</i>	<u>14,221,645</u>	<u>13,837,352</u>	<u>6,406,390</u>	<u>6,285,644</u>	<u>20,628,035</u>	<u>20,122,996</u>
Program Expenses						
General Government	3,911,806	3,439,094	0	0	3,911,806	3,439,094
Security of Persons and Property	6,600,522	5,846,567	0	0	6,600,522	5,846,567
Public Health	807,266	862,732	0	0	807,266	862,732
Leisure Time Services	1,052,594	936,769	0	0	1,052,594	936,769
Community Development	323,774	539,466	0	0	323,774	539,466
Transportation	2,694,164	2,119,669	0	0	2,694,164	2,119,669
Interest and Fiscal Charges	291,632	24,698	0	0	291,632	24,698
<i>Enterprise Operations:</i>						
Water	0	0	2,745,077	2,998,257	2,745,077	2,998,257
Sewer	0	0	2,296,844	2,457,625	2,296,844	2,457,625
Sanitation	0	0	1,315,561	1,383,574	1,315,561	1,383,574
<i>Total Program Expenses</i>	<u>15,681,758</u>	<u>13,768,995</u>	<u>6,357,482</u>	<u>6,839,456</u>	<u>22,039,240</u>	<u>20,608,451</u>
<i>Increase (Decrease) in Net Position</i>						
<i>Before Transfers</i>	(1,460,113)	68,357	48,908	(553,812)	(1,411,205)	(485,455)
Transfers	110,080	44,247	(110,080)	(44,247)	0	0
<i>Change in Net Position</i>	(1,350,033)	112,604	(61,172)	(598,059)	(1,411,205)	(485,455)
<i>Net Position Beginning of Year</i>	<u>24,721,088</u>	<u>24,608,484</u>	<u>16,318,438</u>	<u>16,916,497</u>	<u>41,039,526</u>	<u>41,524,981</u>
<i>Net Position End of Year</i>	<u>\$ 23,371,055</u>	<u>\$ 24,721,088</u>	<u>\$ 16,257,266</u>	<u>\$ 16,318,438</u>	<u>\$ 39,628,321</u>	<u>\$ 41,039,526</u>

Governmental Activities

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

General revenues include grants and entitlements, such as local government funds. 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.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

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 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 a \$384,293 increase in total governmental revenue in 2016. This was primarily due to decreases in capital grants offset by an increase in operating grants. The City was awarded more CHIP grants for community development projects during 2016.

The City saw a \$1,912,763 increase in total governmental expenses in 2016. This was primarily due to an increase in transportation expense related to maintaining the City's infrastructure, as well as an increase in pension expense related to GASB 68.

Police and fire represent the largest expense of governmental activities. This expense of \$6,600,522 represents 42 percent of the total governmental activities expenses. 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. These expenses totaled \$2,694,164, or 17 percent of total governmental activities expenses during 2016.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2016, charges for services of \$6,252,243 accounted for 98 percent of the business type revenues. The total expenses for the utilities were \$6,357,482. A decrease in contractual services in the sewer fund was the primary cause for the \$481,974 decrease in total business-type expenses; however, operating expenses outpacing the operating revenues in the water fund by \$352,743 in 2016 contributed to the overall decrease in business-type net position.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$13,351,471 and expenditures of \$16,282,665. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2016 was a decrease of \$669,462. Both revenues and expenditures increased approximately \$600,000 from prior year; however, expenditures consistently exceed revenues resulting in the decreased fund balance.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

The fund balance of the safety forces operation fund decreased \$63,435 as expenditures exceeded income tax revenue.

The fund balance of the CHIP/CDBG grant fund decreased \$29,163 due to expenditures exceeding grant draw downs.

The fire station fund balance increased \$2,497,992, as a result of issuing \$5 million in general obligation bonds for construction of a fire station, which was only partially spent by year-end.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year amounted to \$1,137,551, the unrestricted net position of the sewer fund was \$214,613 and the unrestricted net position of the sanitation fund was \$663,771. The total decrease in net position for all three funds was \$61,172. 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 2016, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue of \$5,144,290 was only \$44,290 higher than the final budget estimate of \$5,100,000.

Final appropriations of \$5,993,329 were \$430,139 higher than the actual expenditures of \$5,563,190 as a result of conservative budgeting practices.

There were no significant variances to discuss between original and final budgets or within other financing sources and uses.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Capital Assets and Debt Administration

Capital Assets

At the end of year 2016, the City had \$48,238,478 invested in capital assets. A total of \$29,695,690 of this was for governmental activities and \$19,285,963 being attributable to business-type activities. Table 3 shows fiscal year 2016 balances compared with 2015.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,134,097	\$ 1,066,583	\$ 51,892	\$ 51,892	\$ 1,185,989	\$ 1,118,475
Infrastructure	16,703,878	17,307,632	0	0	16,703,878	17,307,632
Buildings and Building Improvements	3,265,564	3,425,732	3,310,669	3,519,179	6,576,233	6,944,911
Improvements Other Than Buildings	2,464,790	2,534,777	3,934,121	4,144,526	6,398,911	6,679,303
Machinery and Equipment	2,001,478	2,041,448	817,609	813,334	2,819,087	2,854,782
Furniture and Fixtures	9,382	10,428	1,028	1,028	10,410	11,456
Vehicles	1,804,360	1,860,638	511,288	517,126	2,315,648	2,377,764
Water Lines	0	0	6,168,927	6,339,491	6,168,927	6,339,491
Sewer Lines	0	0	3,699,643	3,899,387	3,699,643	3,899,387
Construction in Progress	2,312,141	32,000	47,611	0	2,359,752	32,000
Total	\$ 29,695,690	\$ 28,279,238	\$ 18,542,788	\$ 19,285,963	\$ 48,238,478	\$ 47,565,201

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

Debt

The outstanding debt for the City as of December 31, 2016 was \$11,134,734. See Note 13 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 895,000	\$ 1,065,000	\$ 0	\$ 0	\$ 895,000	\$ 1,065,000
ODOT Loan	339,848	352,000	0	0	339,848	352,000
Land Purchase	0	125,000	0	0	0	125,000
Serial Bonds	5,089,128	0	0	0	5,089,128	0
OPWC Loans	0	0	217,125	219,814	217,125	219,814
OWDA Loans	0	0	4,593,633	5,167,840	4,593,633	5,167,840
Total	\$ 6,323,976	\$ 1,542,000	\$ 4,810,758	\$ 5,387,654	\$ 11,134,734	\$ 6,929,654

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Economic Factors

In 2016, the City of New Philadelphia continued its efforts to monitor both revenues and expenses. Cash basis income tax receipts grew over 2015 by 6 percent. 2016 was the 4th year of growth in income tax revenue. Local conditions are favorable for a growth in income tax revenue again in 2017. Unemployment numbers continue to drop and two manufacturing businesses moved to the City in 2016. At least four new retail businesses will be opening their doors in 2017 in New Philadelphia.

Construction on the new \$5,000,000 fire station began in the second quarter of 2016. New Philadelphia voters approved a 25-year, 1-mill levy in 2015 to fund the project. The new complex should be in full operation during the 2nd quarter of 2017.

In 2016, the council and administration continued to work on ways to enhance and grow our general fund revenues. We continue to work on finding ways to cut our expenses by working to change the way some of our services are provided to our citizenry.

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.

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, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 8,409,786	\$ 3,352,614	\$ 11,762,400
Cash and Investments in Segregated Accounts	95,171	0	95,171
Cash and Investments with Escrow Agents	321,963	0	321,963
Accounts Receivable	262,405	703,437	965,842
Intergovernmental Receivable	1,713,321	42,489	1,755,810
Taxes Receivable	2,937,761	0	2,937,761
Materials and Supplies Inventory	316,203	603,982	920,185
Non-Depreciable Capital Assets	3,446,238	99,503	3,545,741
Depreciable Capital Assets, Net	26,249,452	18,443,285	44,692,737
<i>Total Assets</i>	<u>43,752,300</u>	<u>23,245,310</u>	<u>66,997,610</u>
Deferred Outflow of Resources			
Pension	4,030,075	968,574	4,998,649
Liabilities			
Accounts Payable	86,652	76,407	163,059
Accrued Wages	240,669	77,023	317,692
Contracts Payable	341,478	5,048	346,526
Retainage Payable	152,822	0	152,822
Intergovernmental Payable	149,483	43,142	192,625
Matured Compensated Absences Payable	18,602	240	18,842
Accrued Interest Payable	19,850	22,291	42,141
Long-Term Liabilities:			
Due Within One Year	952,588	758,417	1,711,005
Due in More Than One Year			
Net Pension Liability (See Note 10)	13,872,052	2,536,437	16,408,489
Other Amounts Due in More Than One Year	7,055,831	4,368,746	11,424,577
<i>Total Liabilities</i>	<u>22,890,027</u>	<u>7,887,751</u>	<u>30,777,778</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	1,378,309	0	1,378,309
Pension	142,984	68,867	211,851
<i>Total Deferred Inflows of Resources</i>	<u>1,521,293</u>	<u>68,867</u>	<u>1,590,160</u>
Net Position			
Net Investment in Capital Assets	25,762,888	14,241,391	40,004,279
Restricted For:			
Debt Service	165,415	0	165,415
Capital Outlay	1,475,479	0	1,475,479
Other Purposes	4,249,158	0	4,249,158
Unrestricted	(8,281,885)	2,015,875	(6,266,010)
<i>Total Net Position</i>	<u>\$ 23,371,055</u>	<u>\$ 16,257,266</u>	<u>\$ 39,628,321</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,911,806	\$ 1,151,467	\$ 50,737	\$ 0	\$ (2,709,602)	\$ 0	\$ (2,709,602)
Security of Persons and Property	6,600,522	625,249	80,456	0	(5,894,817)	0	(5,894,817)
Public Health	807,266	189,964	68,741	0	(548,561)	0	(548,561)
Leisure Time Services	1,052,594	106,219	50,000	0	(896,375)	0	(896,375)
Community Development	323,774	140,570	749,940	65,000	631,736	0	631,736
Transportation	2,694,164	126,188	1,137,743	0	(1,430,233)	0	(1,430,233)
Debt Service Issuance Cost	144,139	0	0	0	(144,139)	0	(144,139)
Interest and Fiscal Charges	147,493	0	0	0	(147,493)	0	(147,493)
<i>Total Governmental Activities</i>	<u>15,681,758</u>	<u>2,339,657</u>	<u>2,137,617</u>	<u>65,000</u>	<u>(11,139,484)</u>	<u>0</u>	<u>(11,139,484)</u>
Business-Type Activities							
Water	2,745,077	2,332,761	47,000	0	0	(365,316)	(365,316)
Sewer	2,296,844	2,369,981	0	0	0	73,137	73,137
Sanitation	1,315,561	1,549,501	20,222	0	0	254,162	254,162
<i>Total Business-Type Activities</i>	<u>6,357,482</u>	<u>6,252,243</u>	<u>67,222</u>	<u>0</u>	<u>0</u>	<u>(38,017)</u>	<u>(38,017)</u>
<i>Total Primary Government</i>	<u>\$ 22,039,240</u>	<u>\$ 8,591,900</u>	<u>\$ 2,204,839</u>	<u>\$ 65,000</u>	<u>(11,139,484)</u>	<u>(38,017)</u>	<u>(11,177,501)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					894,816	0	894,816
Police, Fire and Community Operations					167,975	0	167,975
Levied for debt service					317,711	0	317,711
Income Taxes Levied for:							
General Purposes					3,087,273	0	3,087,273
Safety Forces Operations					2,428,350	0	2,428,350
Capital Outlay					319,620	0	319,620
Street Maintenance					800,931	0	800,931
Other Purposes					736,024	0	736,024
Other Local Taxes					191,811	0	191,811
Grants and Entitlements not Restricted to Specific Programs							
					525,463	0	525,463
Investment Earnings					47,246	0	47,246
Miscellaneous					162,151	86,925	249,076
<i>Total General Revenues</i>					<u>9,679,371</u>	<u>86,925</u>	<u>9,766,296</u>
Transfers					<u>110,080</u>	<u>(110,080)</u>	<u>0</u>
<i>Change in Net Position</i>					<u>(1,350,033)</u>	<u>(61,172)</u>	<u>(1,411,205)</u>
<i>Net Position Beginning of Year</i>					<u>24,721,088</u>	<u>16,318,438</u>	<u>41,039,526</u>
<i>Net Position End of Year</i>					<u>\$ 23,371,055</u>	<u>\$ 16,257,266</u>	<u>\$ 39,628,321</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Balance Sheet
Governmental Funds
December 31, 2016

	General	Safety Forces Operation	CHIP/CDBG Grant	Fire Station	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 979,219	\$ 241,806	\$ 4,348	\$ 2,992,292	\$ 4,192,121	\$ 8,409,786
Cash and Investments in Segregated Accounts	0	0	0	0	95,171	95,171
Cash and Investments with Escrow Agents	0	0	0	0	321,963	321,963
Accounts Receivable	80,689	0	0	0	181,716	262,405
Intergovernmental Receivable	275,690	0	750,000	0	687,631	1,713,321
Taxes Receivable	1,517,403	507,743	0	0	912,615	2,937,761
Materials and Supplies Inventory	90,650	0	0	0	225,553	316,203
<i>Total Assets</i>	<u>\$ 2,943,651</u>	<u>\$ 749,549</u>	<u>\$ 754,348</u>	<u>\$ 2,992,292</u>	<u>\$ 6,616,770</u>	<u>\$ 14,056,610</u>
Liabilities						
Accounts Payable	\$ 18,614	\$ 9,156	\$ 11,600	\$ 0	\$ 47,282	\$ 86,652
Accrued Wages	203,858	3,528	0	0	33,283	240,669
Contracts Payable	0	0	0	341,478	0	341,478
Retainage Payable	0	0	0	152,822	0	152,822
Intergovernmental Payable	129,796	0	0	0	19,687	149,483
Matured Compensated Absences Payable	0	3,259	0	0	15,343	18,602
<i>Total Liabilities</i>	<u>352,268</u>	<u>15,943</u>	<u>11,600</u>	<u>494,300</u>	<u>115,595</u>	<u>989,706</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	903,822	0	0	0	474,487	1,378,309
Unavailable Revenue	517,554	246,189	734,500	0	723,543	2,221,786
<i>Total Deferred Inflows of Resources</i>	<u>1,421,376</u>	<u>246,189</u>	<u>734,500</u>	<u>0</u>	<u>1,198,030</u>	<u>3,600,095</u>
Fund Balances						
Nonspendable	127,750	0	0	0	225,553	353,303
Restricted	0	487,417	8,248	2,497,992	4,719,443	7,713,100
Committed	100,277	0	0	0	358,149	458,426
Assigned	810,134	0	0	0	0	810,134
Unassigned	131,846	0	0	0	0	131,846
<i>Total Fund Balances</i>	<u>1,170,007</u>	<u>487,417</u>	<u>8,248</u>	<u>2,497,992</u>	<u>5,303,145</u>	<u>9,466,809</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,943,651</u>	<u>\$ 749,549</u>	<u>\$ 754,348</u>	<u>\$ 2,992,292</u>	<u>\$ 6,616,770</u>	<u>\$ 14,056,610</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balances		\$ 9,466,809
 <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.		29,695,690
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property Taxes	\$ 20,963	
Income Tax	745,901	
Intergovernmental	1,428,012	
Charges for Services	<u>26,910</u>	2,221,786
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(19,850)
The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	4,030,075	
Deferred Inflows - Pension	(142,984)	
Net Pension Liability	<u>(13,872,052)</u>	(9,984,961)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(5,984,128)	
ODOT Loan	(339,848)	
Capital Leases	(426,134)	
Compensated Absences	<u>(1,258,309)</u>	<u>(8,008,419)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 23,371,055</u></u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Safety Forces Operation	CHIP/CDBG Grant	Fire Station	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 910,271	\$ 0	\$ 0	\$ 0	\$ 484,215	\$ 1,394,486
Income Taxes	2,956,100	2,346,261	0	0	1,821,210	7,123,571
Other Local Taxes	191,811	0	0	0	0	191,811
Charges for Services	259,730	0	0	0	694,261	953,991
Licenses and Permits	34,519	0	0	0	271,606	306,125
Fines and Forfeitures	324,205	0	0	0	618,174	942,379
Intergovernmental	573,038	0	174,175	0	1,311,362	2,058,575
Interest	(3,527)	0	0	2,647	(9,398)	(10,278)
Rent	64,453	0	0	0	0	64,453
Contributions and Donations	96,124	3,000	0	0	19,213	118,337
Other	95,521	6,988	0	0	105,512	208,021
<i>Total Revenues</i>	<u>5,502,245</u>	<u>2,356,249</u>	<u>174,175</u>	<u>2,647</u>	<u>5,316,155</u>	<u>13,351,471</u>
Expenditures						
Current:						
General Government	2,794,240	0	0	0	907,609	3,701,849
Security of Persons and Property	2,187,570	2,353,039	0	0	1,120,540	5,661,149
Public Health	268,400	0	0	0	511,557	779,957
Leisure Time Services	773,056	0	0	0	7,696	780,752
Community Development	0	0	203,338	0	25,197	228,535
Transportation	85,594	0	0	0	1,533,044	1,618,638
Capital Outlay	52,136	66,645	0	2,379,655	334,630	2,833,066
Debt Service:						
Principal Retirement	11,933	0	0	125,000	262,490	399,423
Interest and Fiscal Charges	5,299	0	0	0	129,858	135,157
Bond Issuance Costs	0	0	0	0	144,139	144,139
<i>Total Expenditures</i>	<u>6,178,228</u>	<u>2,419,684</u>	<u>203,338</u>	<u>2,504,655</u>	<u>4,976,760</u>	<u>16,282,665</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(675,983)</u>	<u>(63,435)</u>	<u>(29,163)</u>	<u>(2,502,008)</u>	<u>339,395</u>	<u>(2,931,194)</u>
Other Financing Sources (Uses)						
Inception of Capital Lease	18,636	0	0	0	383,272	401,908
General Obligation Bonds Issued	0	0	0	5,000,000	0	5,000,000
Premium on Debt Issuance	0	0	0	0	144,925	144,925
Proceeds of Loans	0	0	0	0	7,919	7,919
Transfers In	0	0	0	0	13,847	13,847
Transfers Out	(12,115)	0	0	0	(1,732)	(13,847)
<i>Total Other Financing Sources (Uses)</i>	<u>6,521</u>	<u>0</u>	<u>0</u>	<u>5,000,000</u>	<u>548,231</u>	<u>5,554,752</u>
<i>Net Change in Fund Balance</i>	<u>(669,462)</u>	<u>(63,435)</u>	<u>(29,163)</u>	<u>2,497,992</u>	<u>887,626</u>	<u>2,623,558</u>
<i>Fund Balance Beginning of Year</i>	<u>1,839,469</u>	<u>550,852</u>	<u>37,411</u>	<u>0</u>	<u>4,415,519</u>	<u>6,843,251</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,170,007</u>	<u>\$ 487,417</u>	<u>\$ 8,248</u>	<u>\$ 2,497,992</u>	<u>\$ 5,303,145</u>	<u>\$ 9,466,809</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016*

Net Change in Fund Balances - Total Governmental Funds		\$ 2,623,558
<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	\$ 3,037,621	
Current Year Depreciation	(1,517,963)	
Transfers	110,080	1,629,738
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.		
		(213,286)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(13,985)	
Income Tax	248,627	
Charges for Services	172	
Intergovernmental	635,360	870,174
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	220,000	
ODOT Loan	20,071	
Loan Payable	125,000	
Capital Lease	34,352	399,423
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
General Obligation Bonds	(5,000,000)	
ODOT Loan	(7,919)	(5,007,919)
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
Premiums on Bonds Amortized	5,797	
Premium on New Debt Issued in Current Year	(144,925)	(139,128)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued Interest Payable		(18,133)
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(401,908)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		(1,989,825)
Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		1,051,215
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		(153,942)
<i>Change in Net Position of Governmental Activities</i>		\$ (1,350,033)

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 1,012,000	\$ 1,012,000	\$ 910,271	\$ (101,729)
Income Taxes	2,539,865	2,539,865	2,706,212	166,347
Other Local Taxes	200,000	200,000	191,479	(8,521)
Charges for Services	269,250	269,250	259,730	(9,520)
Licenses and Permits	35,000	35,000	34,519	(481)
Fines and Forfeitures	348,700	348,700	347,117	(1,583)
Intergovernmental	627,900	627,900	579,861	(48,039)
Interest	6,000	6,000	43,677	37,677
Rent	20,000	20,000	28,537	8,537
Contributions and Donations	1,340	1,340	414	(926)
Other	39,945	39,945	42,473	2,528
<i>Total Revenues</i>	<u>5,100,000</u>	<u>5,100,000</u>	<u>5,144,290</u>	<u>44,290</u>
Expenditures				
Current:				
General Government	2,670,654	2,657,908	2,429,347	228,561
Security of Persons and Property	2,150,528	2,095,528	1,987,097	108,431
Public Health	301,027	300,893	266,516	34,377
Leisure Time Services	854,592	830,353	774,338	56,015
Transportation	67,873	57,835	55,160	2,675
Capital Outlay	0	33,500	33,500	0
Debt Service:				
Principal Retirement	0	12,013	11,933	80
Interest and Fiscal Charges	0	5,299	5,299	0
<i>Total Expenditures</i>	<u>6,044,674</u>	<u>5,993,329</u>	<u>5,563,190</u>	<u>430,139</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(944,674)</u>	<u>(893,329)</u>	<u>(418,900)</u>	<u>474,429</u>
Other Financing Sources (Uses)				
Transfers Out	(12,500)	(12,500)	(12,115)	385
<i>Net Change in Fund Balance</i>	(957,174)	(905,829)	(431,015)	474,814
<i>Fund Balance Beginning of Year</i>	1,128,499	1,128,499	1,128,499	0
Prior Year Encumbrances Appropriated	47,976	47,976	47,976	0
<i>Fund Balance End of Year</i>	<u>\$ 219,301</u>	<u>\$ 270,646</u>	<u>\$ 745,460</u>	<u>\$ 474,814</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Operation Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$ 2,600,000	\$ 2,657,000	\$ 2,546,246	\$ (110,754)
Contributions and Donations	0	0	3,000	3,000
Other	0	0	6,989	6,989
<i>Total Revenues</i>	<u>2,600,000</u>	<u>2,657,000</u>	<u>2,556,235</u>	<u>(100,765)</u>
Expenditures				
Current:				
Security of Persons and Property	2,510,656	2,689,625	2,518,851	170,774
Capital Outlay	291,447	183,694	101,805	81,889
<i>Total Expenditures</i>	<u>2,802,103</u>	<u>2,873,319</u>	<u>2,620,656</u>	<u>252,663</u>
<i>Net Change in Fund Balance</i>	(202,103)	(216,319)	(64,421)	151,898
<i>Fund Balance Beginning of Year</i>	233,399	233,399	233,399	0
Prior Year Encumbrances Appropriated	17,995	17,995	17,995	0
<i>Fund Balance End of Year</i>	<u>\$ 49,291</u>	<u>\$ 35,075</u>	<u>\$ 186,973</u>	<u>\$ 151,898</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIP/CDBG Grant Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 204,042	\$ (295,958)
Expenditures				
Current:				
Community Development	500,000	515,945	216,483	299,462
<i>Net Change in Fund Balance</i>	0	(15,945)	(12,441)	3,504
<i>Fund Balance Beginning of Year</i>	16,789	16,789	16,789	0
<i>Fund Balance End of Year</i>	<u>\$ 16,789</u>	<u>\$ 844</u>	<u>\$ 4,348</u>	<u>\$ 3,504</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 1,038,059	\$ 1,139,074	\$ 1,175,481	\$ 3,352,614
Accounts Receivable	338,711	358,655	6,071	703,437
Intergovernmental Receivable	42,489	0	0	42,489
Materials and Supplies Inventory	590,339	8,488	5,155	603,982
<i>Total Current Assets</i>	<u>2,009,598</u>	<u>1,506,217</u>	<u>1,186,707</u>	<u>4,702,522</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	26,556	62,954	9,993	99,503
Depreciable Capital Assets, Net	8,378,651	9,798,822	265,812	18,443,285
<i>Total Non-Current Assets</i>	<u>8,405,207</u>	<u>9,861,776</u>	<u>275,805</u>	<u>18,542,788</u>
<i>Total Assets</i>	<u>10,414,805</u>	<u>11,367,993</u>	<u>1,462,512</u>	<u>23,245,310</u>
Deferred Outflow of Resources				
Pension	386,726	325,697	256,151	968,574
<i>Total Deferred Outflow of Resources</i>	<u>386,726</u>	<u>325,697</u>	<u>256,151</u>	<u>968,574</u>
<i>Total Assets and Deferred Outflow of Resources</i>	<u>10,801,531</u>	<u>11,693,690</u>	<u>1,718,663</u>	<u>24,213,884</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	20,289	31,644	24,474	76,407
Accrued Wages	33,424	23,004	20,595	77,023
Contracts Payable	998	4,050	0	5,048
Intergovernmental Payable	18,074	12,807	12,261	43,142
Matured Compensated Absences Payable	0	240	0	240
Accrued Interest Payable	1,361	20,930	0	22,291
Compensated Absences Payable	78,770	29,623	15,706	124,099
Capital Leases Payable	29,929	0	0	29,929
OPWC Loans Payable	5,000	21,539	0	26,539
OWDA Loans Payable	0	577,850	0	577,850
<i>Total Current Liabilities</i>	<u>187,845</u>	<u>721,687</u>	<u>73,036</u>	<u>982,568</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	66,626	46,952	17,107	130,685
Capital Leases Payable - Net of Current Portion	31,692	0	0	31,692
OPWC Loans Payable - Net of Current Portion	37,500	153,086	0	190,586
OWDA Loans Payable - Net of Current Portion	0	4,015,783	0	4,015,783
Net Pension Liability (see Note 10)	1,012,732	852,914	670,791	2,536,437
<i>Total Long-Term Liabilities</i>	<u>1,148,550</u>	<u>5,068,735</u>	<u>687,898</u>	<u>6,905,183</u>
<i>Total Liabilities</i>	<u>1,336,395</u>	<u>5,790,422</u>	<u>760,934</u>	<u>7,887,751</u>
Deferred Inflows of Resources				
Pension	27,497	23,157	18,213	68,867
<i>Net Position</i>				
Net Investment in Capital Assets	8,300,088	5,665,498	275,805	14,241,391
Unrestricted	1,137,551	214,613	663,711	2,015,875
<i>Total Net Position</i>	<u>\$ 9,437,639</u>	<u>\$ 5,880,111</u>	<u>\$ 939,516</u>	<u>\$ 16,257,266</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating Revenues				
Charges for Services	\$ 2,332,761	\$ 2,369,981	\$ 1,549,501	\$ 6,252,243
Other	58,212	27,099	1,614	86,925
<i>Total Operating Revenues</i>	<u>2,390,973</u>	<u>2,397,080</u>	<u>1,551,115</u>	<u>6,339,168</u>
Operating Expenses				
Salaries and Wages	825,503	632,004	579,788	2,037,295
Fringe Benefits	373,441	321,711	267,135	962,287
Contractual Services	621,641	590,123	381,537	1,593,301
Materials and Supplies	488,759	211,928	34,017	734,704
Depreciation	434,372	499,729	53,084	987,185
<i>Total Operating Expenses</i>	<u>2,743,716</u>	<u>2,255,495</u>	<u>1,315,561</u>	<u>6,314,772</u>
<i>Operating Income (Loss)</i>	<u>(352,743)</u>	<u>141,585</u>	<u>235,554</u>	<u>24,396</u>
Non-Operating Revenues (Expense)				
Intergovernmental	47,000	0	20,222	67,222
Loss on Disposal of Capital Assets	0	(110,080)	0	(110,080)
Interest and Fiscal Charges	(1,361)	(41,349)	0	(42,710)
<i>Total Non-Operating Revenues (Expense)</i>	<u>45,639</u>	<u>(151,429)</u>	<u>20,222</u>	<u>(85,568)</u>
<i>Change in Net Position</i>	(307,104)	(9,844)	255,776	(61,172)
<i>Net Position Beginning of Year</i>	<u>9,744,743</u>	<u>5,889,955</u>	<u>683,740</u>	<u>16,318,438</u>
<i>Net Position End of Year</i>	<u>\$ 9,437,639</u>	<u>\$ 5,880,111</u>	<u>\$ 939,516</u>	<u>\$ 16,257,266</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,306,849	\$ 2,353,986	\$ 1,548,585	\$ 6,209,420
Cash Received from Other Operating Receipts	58,212	27,099	1,614	86,925
Cash Payments to Suppliers	(1,250,860)	(768,270)	(410,735)	(2,429,865)
Cash Payments to Employees for Services and Benefits	(1,197,021)	(898,421)	(807,720)	(2,903,162)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(82,820)</u>	<u>714,394</u>	<u>331,744</u>	<u>963,318</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	47,000	0	20,222	67,222
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>47,000</u>	<u>0</u>	<u>20,222</u>	<u>67,222</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds of OPWC Loans	0	23,850	0	23,850
Payment for Capital Acquisitions	(244,898)	(109,192)	0	(354,090)
Proceeds of Capital Leases	95,180	0	0	95,180
Payment of Capital Leases	(33,559)	0	0	(33,559)
Principal Payments on Debt	(5,000)	(595,746)	0	(600,746)
Interest Payments on Debt	0	(44,315)	0	(44,315)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(188,277)</u>	<u>(725,403)</u>	<u>0</u>	<u>(913,680)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	(224,097)	(11,009)	351,966	116,860
<i>Cash and Investments Beginning of Year</i>	<u>1,262,156</u>	<u>1,150,083</u>	<u>823,515</u>	<u>3,235,754</u>
<i>Cash and Investments End of Year</i>	<u>\$ 1,038,059</u>	<u>\$ 1,139,074</u>	<u>\$ 1,175,481</u>	<u>\$ 3,352,614</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ (352,743)	\$ 141,585	\$ 235,554	\$ 24,396
Adjustments:				
Depreciation	434,372	499,729	53,084	987,185
(Increase) Decrease in Assets:				
Accounts Receivable	16,577	(15,995)	(6,071)	(5,489)
Intergovernmental Receivable	(42,489)	0	5,155	(37,334)
Materials and Supplies Inventory	(157,306)	363	(465)	(157,408)
Net Pension Asset	304	228	183	715
Deferred Outflows - Pension	(247,081)	(221,133)	(171,983)	(640,197)
Increase (Decrease) in Liabilities:				
Accounts Payable	11,872	30,634	(405)	42,101
Accrued Wages	0	3,655	8,418	12,073
Retainage Payable	7,976	0	0	7,976
Compensated Absences Payable	13,513	5,001	3,610	22,124
Matured Compensated Absences Payable	0	240	0	240
Intergovernmental Payable	4,974	2,784	5,689	13,447
Deferred Inflows - Pension	13,369	12,579	9,698	35,646
Net Pension Liability	213,842	254,724	189,277	657,843
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ (82,820)</u>	<u>\$ 714,394</u>	<u>\$ 331,744</u>	<u>\$ 963,318</u>

See accompanying notes to the basic financial statements.

Noncash Capital Financing Activities:

\$110,080 transfer of assets from business type activities sewer fund to governmental type activities
\$20,309 in purchase of equipment in the sewer fund for trade in value of capital asset

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Investments	\$ 42,636
Cash and Investments in Segregated Accounts	179,914
Accounts Receivable	<u>1,950</u>
<i>Total Assets</i>	<u><u>\$ 224,500</u></u>
Liabilities	
Undistributed Monies	<u><u>\$ 224,500</u></u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2016

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.

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. The City does not have any component units.

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 18). 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.

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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.

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:

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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.

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.

CHIP/CDBG Grant Fund The CHIP/CDBG grant special revenue fund is used to account for grants for community and economic development activities and assistance.

Fire Station Fund The fire station capital improvement fund is used to account for the financial resources that are used for the construction of the City's new fire station.

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

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

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

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

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

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

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 agency 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for court collections that are distributed to various other governmental entities.

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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 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.

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.

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.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

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

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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 which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During 2016, investments were limited to money markets, mutual funds, federal securities and commercial paper.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund (including unrealized gains/losses on investments) during 2016 amounted to negative \$3,527.

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.

The City has segregated bank accounts for monies held separate from the City's central bank account. These accounts are presented as "cash and investments in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 4, Deposits and 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.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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	20-40 Years	20-40 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.

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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 and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as a liability on the government fund financial statements when due.

J. Pensions

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

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, 2016, 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:

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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. Estimates

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

R. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the 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.

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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

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

S. Implementation of New Accounting Principles

For the year ended December 31, 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the City's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the City's financial statements as the City does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

	Net Change in Fund Balance		
	<u>General</u>	<u>Safety Forces Operation</u>	<u>CHIP/CDBG Grant</u>
GAAP Basis	\$ (669,462)	\$ (63,435)	\$ (29,163)
Revenue Accruals	168,801	199,986	29,867
Expenditure Accruals	250,490	(146,138)	(13,145)
Funds Budgeted Elsewhere	(117,550) **	0	0
Encumbrances	<u>(63,294)</u>	<u>(54,834)</u>	<u>0</u>
Budget Basis	<u>\$ (431,015)</u>	<u>\$ (64,421)</u>	<u>\$ (12,441)</u>

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

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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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 and STAR Plus).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed forty 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.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2016, the City and public depositories complied with the provisions of these statutes.

Cash with Escrow Agent

At year end, the City had \$321,963 in monies held by Deutsch Bank as a escrow agent. This amount has been excluded from the total amount of deposits below as it is not part of the City's internal investment pool.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

Deposits with Financial Institutions

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

At year-end, the carrying amount of the City's deposits was \$5,820,961, in addition to \$300 cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$5,446,265 of the City's bank balance of \$6,392,313 was exposed to custodial risk as discussed above, while \$946,048 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$9,668 held in a STAR Plus account.

The municipal court accounts are maintained separately from the City's deposits. The amount of the deposits was \$179,914, which is included in the above carrying value.

The cash with escrow agent has a carrying value of \$321,963, and is for funds being held for a fire truck lease.

Investments

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.

As of December 31, 2016, the City had the following investments and maturities:

Rating	Investment	Measurement Amount	Investment Maturities in Months			% Total
			0-12	13-36	Over 36	
AA+	Federal Home Loan Mortgage	\$ 1,473,340	\$ 0	\$ 495,180	\$ 978,160	24.2%
AAAm	First American Government Obligations	7,013	7,013	0	0	0.1%
Aaa	Federal Farm Credit Bank	438,038	0	438,038	0	7.2%
AAA	Federal Home Loan Banks	438,728	0	438,728	0	7.2%
	Federal National Mortgage					
Aaa	Association MTN	496,990	0	496,990	0	8.2%
AA+	Fannie Mae	563,880	0	0	563,880	9.3%
	Mutual Funds	76,144	76,144	0	0	1.3%
	Money Market	19,027	19,027	0	0	0.3%
P-1	Commercial Paper	2,565,786	835,601	1,730,185	0	42.2%
	Total Investments	\$ 6,078,946	\$ 937,785	\$ 3,599,121	\$ 1,542,040	100.0%

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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, 2016. All investments of the City are valued using quoted market prices (Level 1 inputs).

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk: Huntington National Bank Trust carries a rating of BBB+ by S&P Global Ratings for the money market fund.

Concentration of Credit Risk The table above includes the percentage to total of each investment type held by the City at December 31, 2016.

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 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes were levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$4.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

Category	Assessed Value
Real Property	\$ 308,838,690
Public Utilities - Real	37,360
Public Utilities - Personal	11,025,690
 Total Assessed Value	 \$ 319,901,740

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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 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, 2016 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 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 2016, the balance was allocated 59 percent to the general fund, 10 percent to master capital capital projects fund, 14 percent to the street maintenance and repair special revenue fund, 10 percent to the police and fire pension special revenue fund, and 7 percent to the cemetery special revenue fund.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2016 follows:

	Balance 12/31/2015	Additions	Deletions	Transfers	Balance 12/31/2016
Governmental Activities:					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 1,066,583	\$ 67,514	\$ 0	\$ 0	\$ 1,134,097
Construction in progress	32,000	2,280,141	0	0	2,312,141
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,098,583</u>	<u>2,347,655</u>	<u>0</u>	<u>0</u>	<u>3,446,238</u>
<i>Capital Assets, Being Depreciated:</i>					
Buildings and Building Improvements	7,543,254	0	0	0	7,543,254
Improvements Other than Buildings	5,273,239	73,117	0	0	5,346,356
Machinery and Equipment	5,374,684	395,388	(242,568)	0	5,527,504
Furniture and Fixtures	110,091	0	0	0	110,091
Vehicles	4,558,784	139,920	0	0	4,698,704
Infrastructure	32,822,156	81,541	0	110,080	33,013,777
<i>Total Capital Assets, Being Depreciated</i>	<u>55,682,208</u>	<u>689,966</u>	<u>(242,568)</u>	<u>110,080</u>	<u>56,239,686</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and Building Improvements	(4,117,522)	(160,168)	0	0	(4,277,690)
Improvements Other than Buildings	(2,738,462)	(143,104)	0	0	(2,881,566)
Machinery and Equipment	(3,333,236)	(222,072)	29,282	0	(3,526,026)
Furniture and Fixtures	(99,663)	(1,046)	0	0	(100,709)
Vehicles	(2,698,146)	(196,198)	0	0	(2,894,344)
Infrastructure	(15,514,524)	(795,375)	0	0	(16,309,899)
<i>Total Accumulated Depreciation</i>	<u>(28,501,553)</u>	<u>(1,517,963) *</u>	<u>29,282 *</u>	<u>0</u>	<u>(29,990,234)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>27,180,655</u>	<u>(827,997)</u>	<u>(213,286)</u>	<u>110,080</u>	<u>26,249,452</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$28,279,238</u>	<u>\$ 1,519,658</u>	<u>\$ (213,286)</u>	<u>\$ 110,080</u>	<u>\$29,695,690</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 69,855
Leisure Time Services	196,136
Public Health	15,543
Security of Persons and Property	224,306
Transportation	925,570
Community and Economic Development	86,553
Total	<u>\$ 1,517,963</u>

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

	Balance 12/31/2015	Additions	Deletions	Transfers	Balance 12/31/2016
Business-Type Activities:					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 51,892	\$ 0	\$ 0	\$ 0	\$ 51,892
Construction in progress	0	47,611	0	0	47,611
<i>Total Capital Assets Not Being Depreciated</i>	<u>51,892</u>	<u>47,611</u>	<u>0</u>	<u>0</u>	<u>99,503</u>
<i>Capital Assets, Being Depreciated:</i>					
Buildings and Building Improvements	9,192,619	0	0	0	9,192,619
Improvements Other than Buildings	6,893,902	24,328	0	(24,328)	6,893,902
Machinery and Equipment	5,063,933	85,093	(55,511)	0	5,093,515
Furniture and Fixtures	20,554	0	0	0	20,554
Vehicles	2,113,993	95,181	0	0	2,209,174
Sewer Lines	6,958,885	0	0	(85,752)	6,873,133
Water Lines	14,801,375	122,186	0	0	14,923,561
<i>Total Capital Assets, Being Depreciated</i>	<u>45,045,261</u>	<u>326,788</u>	<u>(55,511)</u>	<u>(110,080)</u>	<u>45,206,458</u>
<i>Less Accumulated Depreciation:</i>					
Buildings and Building Improvements	(5,673,440)	(208,510)	0	0	(5,881,950)
Improvements Other than Buildings	(2,749,376)	(210,405)	0	0	(2,959,781)
Machinery and Equipment	(4,250,599)	(60,509)	35,202	0	(4,275,906)
Furniture and Fixtures	(19,526)	0	0	0	(19,526)
Vehicles	(1,596,867)	(101,019)	0	0	(1,697,886)
Sewer Lines	(3,059,498)	(113,992)	0	0	(3,173,490)
Water Lines	(8,461,884)	(292,750)	0	0	(8,754,634)
<i>Total Accumulated Depreciation</i>	<u>(25,811,190)</u>	<u>(987,185)</u>	<u>35,202</u>	<u>0</u>	<u>(26,763,173)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>19,234,071</u>	<u>(660,397)</u>	<u>(20,309)</u>	<u>(110,080)</u>	<u>18,443,285</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 19,285,963</u>	<u>\$ (612,786)</u>	<u>\$ (20,309)</u>	<u>\$ (110,080)</u>	<u>\$ 18,542,788</u>

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2016, 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.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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

NOTE 10: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
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 \$598,779 for 2016. Of this amount, \$78,789 is reported as an intergovernmental payable.

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

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

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

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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

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

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

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$675,455 for 2016. Of this amount \$80,565 is reported as an intergovernmental payable.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS		Total
	Traditional Plan	OPF	
Proportionate Share of the Net Pension Liability	\$ 6,810,027	\$ 9,598,462	\$ 16,408,489
Proportion of the Net Pension Liability	0.03931600%	0.14920500%	
Pension Expense	\$ 930,008	\$ 1,336,843	\$ 2,266,851

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS		Total
	Traditional Plan	OPF	
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 2,001,723	\$ 1,562,262	\$ 3,563,985
Changes in Proportionate Share	0	160,430	160,430
City Contributions Subsequent to the Measurement Date	598,779	675,455	1,274,234
Total Deferred Outflows of Resources	<u>\$ 2,600,502</u>	<u>\$ 2,398,147</u>	<u>\$ 4,998,649</u>

Deferred Inflows of Resources			
Differences between Expected and Actual Experience			
Changes in Proportionate Share	\$ 131,583	\$ 26,952	\$ 158,535
Total Deferred Inflows of Resources	<u>\$ 184,899</u>	<u>\$ 26,952</u>	<u>\$ 211,851</u>

\$1,274,234 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS		Total
	Traditional Plan	OPF	
2017	\$ 413,196	\$ 437,104	\$ 850,300
2018	445,203	437,104	882,307
2019	505,434	437,104	942,538
2020	452,991	353,822	806,813
2021	0	25,718	25,718
Thereafter	0	4,888	4,888
	<u>\$ 1,816,824</u>	<u>\$ 1,695,740</u>	<u>\$ 3,512,564</u>

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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 in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	Pre 1/7/2013 Retirees: 3.00 percent simple Post 1/7/2013 Retirees: 3.00 percent simple through 2018, then 2.80 percent simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 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	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

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

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of eight 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 (seven percent) or one-percentage-point higher (nine percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City’s proportionate share of the net pension liability:	\$ 10,850,037	6,810,027	\$ 3,402,407

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

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

The most recent experience study was completed for the five-year period ended December 31, 2011, effective January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income*	20.00	1.62	5.35
Global Inflation Protected*	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	120.00 %		

Note: Assumptions are geometric.

* levered 2x

** Numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 12,659,086	\$ 9,598,462	\$ 7,005,813

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

NOTE 11: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR details.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, 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.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016 as recommended by OPERS' actuary. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$99,797, \$97,595 and \$206,260, respectively. For 2016, 87 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Ohio Police and Fire Pension Fund

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

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

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

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

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

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2016 through December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$6,912 and \$8,783 for the year ended December 31, 2016, \$6,511 and \$8,333 for the year ended December 31, 2015, and \$78,831 and \$95,200 for the year ended December 31, 2014. 88 percent has been contributed for police and 88 percent has been contributed for firefighters for 2016. The full amount has been contributed for 2015 and 2014.

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 \$2.36 for single eye care, \$5.34 for family eye care and \$26.00 for dental insurance premiums. Employees have a choice of 2 health care plans:

Option 1:	The City pays:	\$1,183.36 family \$515.26 single
Option 2:	HSA: The City pays:	\$1,172.58 family \$512.42 single

These premiums are paid from the same funds that pay the employees' salaries.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

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, 2016, the total liability for unpaid compensated absences was \$1,513,092.

NOTE 13: LONG-TERM OBLIGATIONS

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities			
City Improvement Refunding Bonds - 2013	1.0-2.1	\$ 1,545,000	December 1, 2021
Ohio Department of Transportation Loan - 2014	3.00	352,000	July 1, 2024
Fire Station Construction Serial & Term Bonds - 2016	1.0-4.0	5,000,000	December 1, 2040
Business-Type Activities			
Ohio Public Works Commission - 2003	0.00	\$ 350,000	July 1, 2023
Ohio Public Works Commission - 2004	0.00	100,000	July 1, 2024
Ohio Public Works Commission - 2008	0.00	60,591	January 1, 2025
Ohio Public Works Commission - 2016	0.00	480,000	January 1, 2037
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	875,008	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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

Changes in the long-term obligations of the City during 2016 were as follows:

	Amount Outstanding 12/31/2015	Additions	(Reductions)	Amount Outstanding 12/31/2016	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
2013 City Improvement Refunding Bonds	\$ 1,065,000	\$ 0	\$ (170,000)	\$ 895,000	\$ 175,000
2016 Fire Station Construction Bonds					
Serial and Term Bonds	0	5,000,000	(50,000)	4,950,000	150,000
Unamortized Premium	0	144,925	(5,797)	139,128	0
Total General Obligation Bonds	1,065,000	5,144,925	(225,797)	5,984,128	325,000
Loans					
Ohio Department of Transportation	352,000	7,919	(20,071)	339,848	41,050
Land Purchase	125,000	0	(125,000)	0	0
Total Loans	477,000	7,919	(145,071)	339,848	41,050
Net Pension Liability:					
OPERS	2,944,164	1,329,426	0	4,273,590	0
OPF	7,529,482	2,068,980	0	9,598,462	0
Total Net Pension Liability	10,473,646	3,398,406	0	13,872,052	0
Other Long-Term Obligations:					
Compensated Absences	1,104,367	172,543	(18,602)	1,258,308	490,863
Capital Leases	58,578	401,908	(34,352)	426,134	95,675
Total Other Long-Term Obligations	1,162,945	574,451	(52,954)	1,684,442	586,538
Total Governmental Activities	\$ 13,178,591	\$ 9,125,701	\$ (423,822)	\$ 21,880,470	\$ 952,588
Business-Type Activities					
OPWC Loans					
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	\$ 140,000	\$ 0	\$ (17,500)	\$ 122,500	\$ 17,500
Ohio Public Works Commission Loan - Clearwell	47,500	0	(5,000)	42,500	5,000
Ohio Public Works Commission -Bluebell Pump Station	32,314	0	(4,039)	28,275	4,039
Ohio Public Works Commission -WWTP Headworks Upgrade	0	23,850	0	23,850	0
Total OPWC Loans	219,814	23,850	(26,539)	217,125	26,539
OWDA Loans					
Ohio Water Development Authority Loan - Sewer Plant Expansion and Upgrade	3,334,880	0	(413,949)	2,920,931	414,778
Ohio Water Development Authority Loan - Bass Lake Project	658,320	0	(82,290)	576,030	82,290
Ohio Water Development Authority Loan - Waste Water Treatment Plant Improvements	422,308	0	(46,554)	375,754	48,212
Ohio Water Development Authority Loan - Sewer Loan	152,197	0	(7,436)	144,761	7,755
Ohio Water Development Authority Loan - 5 Points Storm Sewer	600,135	0	(23,978)	576,157	24,815
Total OWDA Loans	5,167,840	0	(574,207)	4,593,633	577,850
Net Pension Liability - OPERS:					
Sewer	598,190	254,724	0	852,914	0
Water	798,890	213,842	0	1,012,732	0
Sanitation	481,514	189,277	0	670,791	0
Total Net Pension Liability	1,878,594	657,843	0	2,536,437	0
Other Long-Term Obligations:					
Compensated Absences	232,660	22,364	(240)	254,784	124,099
Capital Leases	0	95,180	(33,559)	61,621	29,929
Total Other Long-Term Obligations	232,660	117,544	(33,799)	316,405	154,028
Total Business-Type Activities	\$ 7,498,908	\$ 799,237	\$ (634,545)	\$ 7,663,600	\$ 758,417

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$4,810,758 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 83.8 percent. The total principal and interest remaining to be paid on the loans is \$5,109,719. Principal and interest paid for the current year and total net revenues were \$645,061 and \$769,943, respectively.

On June 5, 2013, the City issued \$1,545,000 of various purpose refunding bonds, which consisted of serial bonds with a varying interest rate of 1.00-2.10 percent. The bonds were issued for a nine year period with final maturity on December 1, 2021. 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, \$1,495,000 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.

On February 24, 2014, the City received a loan from the Ohio Department of Transportation (ODOT) in the amount of \$352,000, including closing costs, with an interest rate of 3.00 percent. The proceeds of this loan were used for improvements and widening of West High Avenue. Semiannual principal and interest payments of \$24,909 will begin on January 1, 2017 and will mature on July 1, 2024. Payments will be made from the master capital improvement fund.

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% of the principal amount redeemed, plus interest accrued to the redemption date, on December.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

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

	General					
	Obligation Bonds		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 325,000	\$ 170,605	\$ 41,050	\$ 9,890	\$ 366,050	\$ 180,495
2018	325,000	166,480	42,290	8,649	367,290	175,129
2019	340,000	159,980	43,569	7,371	383,569	167,351
2020	340,000	153,180	44,885	6,054	384,885	159,234
2021	340,000	146,380	46,242	4,697	386,242	151,077
2022-2026	865,000	657,050	121,812	5,536	986,812	662,586
2027-2031	1,000,000	525,625	0	0	1,000,000	525,625
2032-2036	1,190,000	331,825	0	0	1,190,000	331,825
2037-2040	1,120,000	95,169	0	0	1,120,000	95,169
	<u>\$ 5,845,000</u>	<u>\$ 2,406,294</u>	<u>\$ 339,848</u>	<u>\$ 42,197</u>	<u>\$ 6,184,848</u>	<u>\$ 2,448,491</u>

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

	Loan	Development Authority Loans		Total	
	Principal	Principal	Interest	Principal	Interest
2017	\$ 26,539	\$ 577,850	\$ 41,015	\$ 604,389	\$ 41,015
2018	26,539	581,553	37,589	608,092	37,589
2019	26,540	585,360	34,069	611,900	34,069
2020	26,539	589,277	31,580	615,816	31,580
2021	26,539	593,303	26,733	619,842	26,733
2022-2026	60,579	1,328,430	84,059	1,389,009	84,059
2027-2031	0	234,115	38,741	234,115	38,741
2032-2034	0	103,745	5,175	103,745	5,175
	<u>\$ 193,275</u>	<u>\$ 4,593,633</u>	<u>\$ 298,961</u>	<u>\$ 4,786,908</u>	<u>\$ 298,961</u>

NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE

In 2016 the City entered into lease agreements for park vehicles, a municipal court phone system and fire tanker in the amount of \$401,908. These debts will be paid by the master capital improvement fund, general fund, muni court special fund and fire capital equipment fund. Except for the fire tanker, the assets have been recorded in the governmental activities. The lease proceeds for the fire tanker were placed in an escrow account; therefore the asset will be recorded as a governmental activities asset in 2017. In prior years, the City entered into a lease agreement for a city wide phone system. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

City of New Philadelphia
Tuscarawas County, Ohio

Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

In 2016 the City entered into a lease agreement for water vehicles in the amount of \$95,180. This debt will be paid by the water revenue fund and the asset has been recorded in the governmental activities.

The assets acquired by the leases have been capitalized in the amount of \$237,052, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$15,132 as of December 31, 2016, leaving a current book value of \$221,920. A corresponding liability is recorded and is reduced for each required principal payment. The city obtained capital lease proceeds that are held in an escrow account to pay for the fire tanker that will be leased. As of the end of the year, the fire tanker has not been capitalized.

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, 2016:

		Governmental Activities	Business-Type Activities
Year Ending December 31:	2017	\$ 110,029	\$ 33,559
	2018	110,029	33,559
	2019	88,363	0
	2020	83,260	0
	2021	69,980	0
Minimum lease payments		461,661	67,118
Less: amount representing interest at the City's incremental borrowing rate of interest		(35,527)	(5,497)
Present value of minimum lease payments		\$ 426,134	\$ 61,621

NOTE 15: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2016, consisted of the following:

	Transfer From		
Transfer To	General	Cemetery Endowment	Total
Cemetery	\$ 0	\$ 1,732	\$ 1,732
Sidewalk Improvement	12,115	0	12,115
<i>Total</i>	\$ 12,115	\$ 1,732	\$ 13,847

Interfund transfers were made to provide additional resources for current operations.

Capital assets in the amount of \$110,080 were transferred from the sewer fund to governmental activities.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

NOTE 16: SIGNIFICANT COMMITMENTS

A. *Contractual Commitments*

As of December 31, 2016, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2016</u>
Hall Community Dev-AC16 CHIP Admin(Preservation Prgm)	\$ 174,025	\$ 0	\$ 174,025
WE Quicksall-CDBG FY15 Admin	29,058	27,985	1,073
WE Quicksall-CDBG FY16 Admin	10,000	5,000	5,000
WTP Headworks Upgrade	80,000	22,890	57,110
Fire Station Construction	4,401,146	1,707,157	2,693,989
WE Quicksall-WTP Backwash Line Engineering	37,000	18,713	18,287
Airport Masterplan Update	264,137	210,979	53,158
	<u>\$ 4,995,366</u>	<u>\$ 1,992,724</u>	<u>\$ 3,002,642</u>
Totals			

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	\$ 59,142
Safety Forces Operation	46,625
Fire Station	2,324,487
Other Governmental Funds	<u>169,755</u>
Totals	<u>\$ 2,600,009</u>

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

NOTE 17: FUND BALANCE

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

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

	General Fund	Safety Forces Operation	CHIP/CDBG Grant	Fire Station	Other Governmental	Total
Nonspendable for:						
Inventory	\$ 90,650	\$ 0	\$ 0	\$ 0	\$ 225,553	\$ 316,203
Unclaimed Monies	37,100	0	0	0	0	37,100
Total Nonspendable	127,750	0	0	0	225,553	353,303
Restricted for:						
Public Safety and Law Enforcement	0	487,417	0	0	249,023	736,440
Street Maintenance	0	0	0	0	1,264,559	1,264,559
Cemetery	0	0	0	0	636,646	636,646
Debt Service	0	0	0	0	167,896	167,896
Municipal Court	0	0	0	0	776,351	776,351
Community Development	0	0	8,248	0	32,914	41,162
Capital Outlay	0	0	0	2,497,992	1,590,174	4,088,166
Park	0	0	0	0	1,880	1,880
Total Restricted	0	487,417	8,248	2,497,992	4,719,443	7,713,100
Committed for:						
Fire and Ambulance	0	0	0	0	295,296	295,296
Public Health	0	0	0	0	35,656	35,656
Debt Service	0	0	0	0	17,396	17,396
Municipal Court	100,277	0	0	0	0	100,277
Other Purposes	0	0	0	0	9,801	9,801
Total Committed	100,277	0	0	0	358,149	458,426
Assigned:						
Encumbrances						
General Government	43,382	0	0	0	0	43,382
Security of Persons and Property	7,850	0	0	0	0	7,850
Transportation	1,000	0	0	0	0	1,000
Public Health	4,800	0	0	0	0	4,800
Leisure Time Activities	2,110	0	0	0	0	2,110
Airport Capital Improvements	89,587	0	0	0	0	89,587
Subsequent Year Appropriations	661,405	0	0	0	0	661,405
Total Assigned	810,134	0	0	0	0	810,134
Unassigned	131,846	0	0	0	0	131,846
Total Fund Balance	<u>\$ 1,170,007</u>	<u>\$ 487,417</u>	<u>\$ 8,248</u>	<u>\$ 2,497,992</u>	<u>\$ 5,303,145</u>	<u>\$ 9,466,809</u>

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016

NOTE 18: 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 2016, 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 2016, 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 2016, OMEGA received \$5,186 from the City for an annual fee for 2016 and 2017. The continued existence of OMEGA is not dependent on the City’s continued participation and no equity interest exists. OMEGA has no outstanding debts.

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 2016, no monies were paid by the City.

**City of New Philadelphia
Tuscarawas County, Ohio**

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2016*

NOTE 19: 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, 2016.

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 20: LEGAL COMPLIANCE

Ohio Revised Code 1721.21(B) requires any entity owning or operating a cemetery to establish and maintain an endowment care trust. In 2016, the City transferred the balance of the cemetery's ERY endowment care trust to the City's cemetery operating fund. The City will maintain the ERY endowment care trust as required by Ohio Revised Code and only transfer the interest earned on the principal of the funds to the cemetery operating fund. The City returned the funds to the ERY endowment care trust from the cemetery operating fund.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>			
City's Proportion of the Net Pension Liability	0.0393160%	0.0399860%	0.0399860%
City's Proportionate Share of the Net Pension Liability	\$ 6,810,027	\$ 4,822,758	\$ 4,713,828
City's Covered-Employee Payroll	\$ 4,863,000	\$ 4,903,692	\$ 3,982,946
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	140.04%	98.35%	118.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
City's Proportion of the Net Pension Liability	0.1492050%	0.1453451%	0.1453451%
City's Proportionate Share of the Net Pension Liability	\$ 9,598,462	\$ 7,529,482	\$ 7,078,762
City's Covered-Employee Payroll	\$ 2,968,896	\$ 2,894,854	\$ 2,140,640
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	323.30%	260.10%	330.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

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

City of New Philadelphia
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 598,779	\$ 583,560	\$ 588,443	\$ 517,783
Contributions in Relation to the Contractually Required Contribution	<u>(598,779)</u>	<u>(583,560)</u>	<u>(588,443)</u>	<u>(517,783)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 4,989,825	\$ 4,863,000	\$ 4,903,692	\$ 3,982,946
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 675,455	\$ 639,089	\$ 608,260	\$ 389,142
Contributions in relation to the contractually required contribution	<u>(675,455)</u>	<u>(639,089)</u>	<u>(608,260)</u>	<u>(389,142)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 3,138,985	\$ 2,968,896	\$ 2,894,854	\$ 2,140,640
Contributions as a percentage of covered-employee payroll	21.52%	21.53%	21.01%	18.18%

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</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
\$ 375,944	\$ 397,105	\$ 485,569	\$ 367,704	\$ 362,822	\$ 339,282
<u>(375,944)</u>	<u>(397,105)</u>	<u>(485,569)</u>	<u>(367,704)</u>	<u>(362,822)</u>	<u>(339,282)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,488,687	\$ 2,606,907	\$ 3,190,353	\$ 2,417,379	\$ 2,389,178	\$ 2,233,841
15.11%	15.23%	15.22%	15.21%	15.19%	15.19%

June 26, 2017

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the Schedule of Findings and Responses as item 2016-002 that we consider to be a significant deficiency.

City of New Philadelphia
Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Hea & Associates, Inc.

New Philadelphia, Ohio

City of New Philadelphia
Tuscarawas County, Ohio
Schedule of Findings and Responses
December 31, 2016

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

Finding Number: 2016-001

Material Non-Compliance - Cemetery Endowment Funds

Criteria: Ohio Revised Code § 1721.21(B) states, “No person, meaning any corporation, company, partnership, individual, or other entity owning or operating a cemetery, shall operate or continue to operate any cemetery in this state unless an endowment care trust is established and maintained as required by this section.”

An endowment is defined as a gift of money or property to an institution for specific purposes especially one in which the principal is kept intact indefinitely and while the income from that principal is used.

Condition: The City transferred the balance of the ERY endowment care trust, \$257,212, to the City’s cemetery operating fund in 2016.

Cause: The City misunderstood the requirements of the Ohio Revised Code.

Effect: The City transferred the balance of the ERY endowment care trust, the principal of the endowment trust, causing the City to dissolve the endowment care trust required by Ohio Revised Code in order to operate the cemetery.

Recommendation: We recommend the City maintain the ERY endowment care trust as required by Ohio Revised Code and only transfer the interest earned on the principal of the funds to the cemetery operating fund.

Management’s Response: Effective June 19, 2017, the City has transferred \$257,212.01 from the Cemetery Operating Fund (#209) into the Cemetery Endowment Fund (#812). This transaction reimburses the Cemetery Endowment Fund in full and reverses the improper transfer transaction that occurred in 2016.

Finding Number: 2016-002

Significant Deficiency – EMS Charges for Services Billing

Criteria: The City contracts with a third party provider to perform the billings and collections of the City’s EMS services. City Council approves all changes in billing rates for services provided.

Condition: The provider was not aware of Council approved rate changes and did not bill customers based on rates from the effective date through the date identified.

Cause: The City did not communicate the approval of the rate increase approved by the City Council through Resolution 22-2016, that was effective July 1, 2016, until May 11, 2017.

Effect: Customers during this time period were underbilled, resulting in lost revenues by the City. The amounts were insignificant, however, a control did not exist to identify rates were not updated.

City of New Philadelphia
Tuscarawas County, Ohio
Schedule of Findings and Responses
December 31, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number: 2016-002 (Continued)

Significant Deficiency – EMS Charges for Services Billing

Recommendation: We recommend the City establish procedures to timely communicate changes in authorized rates for EMS charges for services.

Management’s Response: When a new Ambulance rate is passed at the annual Ambulance Committee evaluation meeting the Fire Chief will deliver a hard copy to the billing service. The Fire Chief will also request a receipt from the billing service to ensure the current rates are being billed.

City of New Philadelphia
Tuscarawas County, Ohio
Schedule of Prior Audit Findings
December 31, 2016

Finding Number	Finding Summary	Fully Corrected?	Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2015-001	General Information Technology Controls	No	Partially Corrected; The City contracted with a vendor to handle backups and disaster recovery of the City's IT environment. The City also established password credentials to expire every 90 days and force users to reset them. The City has no implemented procedures to track inventory equipment due to lack of sufficient time devoted to developing and implementing procedures. This will be downgraded to a management letter comment.