

City of New Philadelphia
Tuscarawas County, Ohio

Basic Financial Statements

For the Year Ended
December 31, 2017

City of New Philadelphia
Tuscarawas County, Ohio
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May 15, 2018

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

Management is responsible for the accompanying basic financial statements of City of New Philadelphia, as of and for the year ended December 31, 2017, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The management's discussion and analysis and the pension schedules on pages 5 - 14 and 65-67, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Rea & Associates, Inc.

New Philadelphia, Ohio

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City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017

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, 2017. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position decreased \$87,572, which represents less than a 1 percent decrease from 2016. Net position of governmental activities decreased \$225,878 and the net position of business-type activities increased \$138,306.
- Total capital assets increased \$3,277,459 in 2017 due to the completion of the fire station project. Capital assets of governmental activities increased \$3,784,900 while capital assets of business-type activities decreased \$507,441.
- Outstanding debt decreased from \$11,134,734 to \$10,198,380 due to principal payments made during the year, offset by new OPWC debt incurred 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 2017 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 airport federal 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
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Management's Discussion and Analysis
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A question typically asked about the City's finances "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, 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 airport federal 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.

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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 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 11,486,365	\$ 14,056,610	\$ 5,246,318	\$ 4,702,522	\$ 16,732,683	\$ 18,759,132
Capital Assets	33,480,590	29,695,690	18,035,347	18,542,788	51,515,937	48,238,478
<i>Total Assets</i>	<u>44,966,955</u>	<u>43,752,300</u>	<u>23,281,665</u>	<u>23,245,310</u>	<u>68,248,620</u>	<u>66,997,610</u>
Deferred Outflows of Resources						
Pension	3,864,076	4,030,075	1,443,299	968,574	5,307,375	4,998,649
Liabilities						
Current and Other Liabilities	1,625,177	1,009,556	223,393	224,151	1,848,570	1,233,707
Long-Term Liabilities						
Due Within One Year	980,547	952,588	770,317	758,417	1,750,864	1,711,005
Due in More Than One Year						
Net Pension Liability (See Note 10)	14,651,026	13,872,052	3,502,597	2,536,437	18,153,623	16,408,489
Other Amounts	6,736,037	7,055,831	3,801,546	4,368,746	10,537,583	11,424,577
<i>Total Liabilities</i>	<u>23,992,787</u>	<u>22,890,027</u>	<u>8,297,853</u>	<u>7,887,751</u>	<u>32,290,640</u>	<u>30,777,778</u>
Deferred Inflows of Resources						
Property Taxes and Other	1,453,416	1,378,309	0	0	1,453,416	1,378,309
Pension	239,651	142,984	31,539	68,867	271,190	211,851
<i>Total Deferred Inflows of Resources</i>	<u>1,693,067</u>	<u>1,521,293</u>	<u>31,539</u>	<u>68,867</u>	<u>1,724,606</u>	<u>1,590,160</u>
Net Position						
Net Investment in Capital Assets	26,090,816	25,762,888	14,077,770	14,241,391	40,168,586	40,004,279
Restricted	7,367,820	5,890,052	0	0	7,367,820	5,890,052
Unrestricted	(10,313,459)	(8,281,885)	2,317,802	2,015,875	(7,995,657)	(6,266,010)
<i>Total Net Position</i>	<u>\$ 23,145,177</u>	<u>\$ 23,371,055</u>	<u>\$ 16,395,572</u>	<u>\$ 16,257,266</u>	<u>\$ 39,540,749</u>	<u>\$ 39,628,321</u>

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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 75 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 \$40,168,586 at December 31, 2017, with \$26,090,816 in governmental activities and \$14,077,770 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.

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A portion of the City's net position, \$7,367,820 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 \$7,995,657.

For governmental activities, the City saw a \$2,570,245 decrease in current and other assets. This is primarily due to funds for a fire tanker placed in escrow at the end of the 2016 being placed in capital assets as well as the fire station bond proceeds being expended.

For business-type activities, the City saw a \$543,796 increase in current and other assets. This was primarily caused by operating revenues outpacing operating and capital expenses.

For governmental activities, the City saw a \$3,784,900 increase in capital assets. This was primarily due to the new fire station being placed in service and the airport runway project completion, partially offset by depreciation expense.

For business-type activities, the City saw a \$507,441 decrease in capital assets. This was primarily due to depreciation expense exceeding additions.

For governmental activities, the City saw a \$615,621 increase in current and other liabilities. This was primarily due to an increase in contracts payable related to the new airport runway project.

For governmental activities, the City saw a \$291,835 decrease in long term liabilities excluding net pension liability. This was primarily due to annual principal payments.

For business-type activities, the City saw a \$555,300 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 \$1,745,134 increase in net pension liability due to GASB 68 calculations. In addition, there was a \$308,726 increase in deferred outflows for pension that was caused by calculations of GASB 68.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

Table 2 shows the changes in net position for fiscal year 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,543,770	\$ 2,339,657	\$ 6,928,942	\$ 6,252,243	\$ 9,472,712	\$ 8,591,900
Operating Grants	1,074,470	2,137,617	76,345	67,222	1,150,815	2,204,839
Capital Grants	2,400,063	65,000	10,000	0	2,410,063	65,000
<i>General Revenues:</i>						
Property Taxes	1,490,078	1,380,502	0	0	1,490,078	1,380,502
Income Taxes	7,307,585	7,372,198	0	0	7,307,585	7,372,198
Other Taxes	225,735	191,811	0	0	225,735	191,811
Grants and Entitlements	567,213	525,463	0	0	567,213	525,463
Investment Earnings	76,906	47,246	579	0	77,485	47,246
Miscellaneous	171,845	162,151	63,426	86,925	235,271	249,076
<i>Total Revenues</i>	<u>15,857,665</u>	<u>14,221,645</u>	<u>7,079,292</u>	<u>6,406,390</u>	<u>22,936,957</u>	<u>20,628,035</u>
Program Expenses						
General Government	4,238,641	3,911,806	0	0	4,238,641	3,911,806
Security of Persons and Property	6,964,286	6,600,522	0	0	6,964,286	6,600,522
Public Health	995,535	807,266	0	0	995,535	807,266
Leisure Time Services	1,185,767	1,052,594	0	0	1,185,767	1,052,594
Community Development	121,568	323,774	0	0	121,568	323,774
Transportation	2,386,960	2,694,164	0	0	2,386,960	2,694,164
Interest and Fiscal Charges	190,786	291,632	0	0	190,786	291,632
<i>Enterprise Operations:</i>						
Water	0	0	3,089,988	2,745,077	3,089,988	2,745,077
Sewer	0	0	2,362,030	2,296,844	2,362,030	2,296,844
Sanitation	0	0	1,488,968	1,315,561	1,488,968	1,315,561
<i>Total Program Expenses</i>	<u>16,083,543</u>	<u>15,681,758</u>	<u>6,940,986</u>	<u>6,357,482</u>	<u>23,024,529</u>	<u>22,039,240</u>
<i>Increase (Decrease) in Net Position</i>						
<i>Before Transfers</i>	(225,878)	(1,460,113)	138,306	48,908	(87,572)	(1,411,205)
Transfers	<u>0</u>	<u>110,080</u>	<u>0</u>	<u>(110,080)</u>	<u>0</u>	<u>0</u>
<i>Change in Net Position</i>	(225,878)	(1,350,033)	138,306	(61,172)	(87,572)	(1,411,205)
<i>Net Position Beginning 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>
<i>Net Position End of Year</i>	<u>\$ 23,145,177</u>	<u>\$ 23,371,055</u>	<u>\$ 16,395,572</u>	<u>\$ 16,257,266</u>	<u>\$ 39,540,749</u>	<u>\$ 39,628,321</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.

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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 \$1,636,020 increase in total governmental revenue in 2017. This was primarily due to increases in capital grants most significantly for the airport runway project, partially offset by a decrease in operating grants.

The City saw a \$401,785 increase in total governmental expenses in 2017. This was primarily due to pension expense related to GASB 68 and increase in wages and benefits, offset by decreases in community development and transportation expenses.

Police and fire represent the largest expense of governmental activities. This expense of \$6,964,286 represents 43 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 \$2,386,960, or 15 percent of total governmental activities expenses during 2017.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2017, charges for services of \$6,928,942 accounted for 98 percent of the business type revenues. The total expenses for the utilities were \$6,940,986 which is an increase of \$583,504 primarily due to a increase in fringe benefits.

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. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2017 was a decrease of \$359,001. This is due to an increase in expenditures, partially offset by an increase in revenue.

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The fund balance of the safety forces operation fund decreased \$438,455 as expenditures exceeded income tax revenue.

The fund balance of the airport federal fund decreased \$44,228 due to expenditures exceeding grant draw downs.

The fire station fund balance decreased \$2,466,665, as a result of costs associated with placing the new fire station in service.

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.

The total increase in net position for all three funds was \$138,306. Factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2017, the City amended its general fund budget. 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 \$5,046,516 was \$290,073 lower than the final budget estimate of \$5,336,589 due largely to less income tax than anticipated.

Final appropriations of \$6,137,553 were \$538,329 higher than the actual expenditures of \$5,599,224 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.

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Capital Assets and Debt Administration

Capital Assets

At the end of year 2017, the City had \$51,515,937 invested in capital assets. A total of \$33,480,590 of this was for governmental activities and \$18,035,347 being attributable to business-type activities. Table 3 shows fiscal year 2017 balances compared with 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,393,115	\$ 1,134,097	\$ 51,892	\$ 51,892	\$ 1,445,007	\$ 1,185,989
Infrastructure	16,047,320	16,703,878	0	0	16,047,320	16,703,878
Buildings and Building Improvements	7,777,746	3,265,564	3,102,158	3,310,669	10,879,904	6,576,233
Improvements Other Than Buildings	4,281,075	2,464,790	3,733,675	3,934,121	8,014,750	6,398,911
Machinery and Equipment	1,833,720	2,001,478	777,697	817,609	2,611,417	2,819,087
Furniture and Fixtures	8,336	9,382	1,028	1,028	9,364	10,410
Vehicles	2,139,278	1,804,360	698,689	511,288	2,837,967	2,315,648
Water Lines	0	0	5,904,839	6,168,927	5,904,839	6,168,927
Sewer Lines	0	0	3,586,968	3,699,643	3,586,968	3,699,643
Construction in Progress	0	2,312,141	178,401	47,611	178,401	2,359,752
Total	\$ 33,480,590	\$ 29,695,690	\$ 18,035,347	\$ 18,542,788	\$ 51,515,937	\$ 48,238,478

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

Debt

The outstanding debt for the City as of December 31, 2017 was \$10,198,380 See Note 13 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 5,653,331	\$ 5,984,128	\$ 0	\$ 0	\$ 5,653,331	\$ 5,984,128
ODOT Loan	298,798	339,848	0	0	298,798	339,848
OPWC Loans	0	0	230,467	217,125	230,467	217,125
OWDA Loans	0	0	4,015,784	4,593,633	4,015,784	4,593,633
Total	\$ 5,952,129	\$ 6,323,976	\$ 4,246,251	\$ 4,810,758	\$ 10,198,380	\$ 11,134,734

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Economic Factors

In 2017, the City of New Philadelphia completed construction of its new \$5,000,000 fire station. The new station was dedicated in June 2017.

Located at Tuscora Park, the City's tennis courts were renovated. Grants from ODNR, New Philadelphia City Schools and various local foundations paid for the majority of the cost. The City also completed a master plan for development of the Southside Community Park. This community park already contains soccer and various other ballfields. With further recreational and green space opportunities in mind, the City took ownership of two new properties outside of their existing park areas. Development of one of these properties occurred in 2017 and the other will be developed in 2018.

Local conditions are favorable for a growth in income tax revenue in 2018. The City welcomed several new businesses in 2017 and more new businesses have made commitments to begin operations in 2018.

In 2017, 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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 5,893,947	\$ 3,805,440	\$ 9,699,387
Accounts Receivable	174,436	868,230	1,042,666
Intergovernmental Receivable	2,068,742	0	2,068,742
Taxes Receivable	3,033,770	0	3,033,770
Materials and Supplies Inventory	315,470	572,648	888,118
Non-Depreciable Capital Assets	1,393,115	230,293	1,623,408
Depreciable Capital Assets, Net	32,087,475	17,805,054	49,892,529
<i>Total Assets</i>	<u>44,966,955</u>	<u>23,281,665</u>	<u>68,248,620</u>
Deferred Outflow of Resources			
Pension	3,864,076	1,443,299	5,307,375
Liabilities			
Accounts Payable	79,580	54,294	133,874
Accrued Wages	246,672	78,351	325,023
Contracts Payable	1,040,587	8,686	1,049,273
Intergovernmental Payable	221,140	57,387	278,527
Matured Compensated Absences Payable	15,343	0	15,343
Accrued Interest Payable	21,855	24,675	46,530
Long-Term Liabilities:			
Due Within One Year	980,547	770,317	1,750,864
Due in More Than One Year			
Net Pension Liability (See Note 10)	14,651,026	3,502,597	18,153,623
Other Amounts Due in More Than One Year	6,736,037	3,801,546	10,537,583
<i>Total Liabilities</i>	<u>23,992,787</u>	<u>8,297,853</u>	<u>32,290,640</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	1,453,416	0	1,453,416
Pension	239,651	31,539	271,190
<i>Total Deferred Inflows of Resources</i>	<u>1,693,067</u>	<u>31,539</u>	<u>1,724,606</u>
Net Position			
Net Investment in Capital Assets	26,090,816	14,077,770	40,168,586
Restricted For:			
Debt Service	200,579	0	200,579
Capital Outlay	2,887,960	0	2,887,960
Other Purposes	4,279,281	0	4,279,281
Unrestricted	(10,313,459)	2,317,802	(7,995,657)
<i>Total Net Position</i>	<u>\$ 23,145,177</u>	<u>\$ 16,395,572</u>	<u>\$ 39,540,749</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 4,238,641	\$ 1,262,337	\$ 56,876	\$ 0	\$ (2,919,428)	\$ 0	\$ (2,919,428)
Security of Persons and Property	6,964,286	604,386	65,313	0	(6,294,587)	0	(6,294,587)
Public Health	995,535	179,110	51,636	0	(764,789)	0	(764,789)
Leisure Time Services	1,185,767	99,211	81,900	876,196	(128,460)	0	(128,460)
Community Development	121,568	271,823	0	227,000	377,255	0	377,255
Transportation	2,386,960	126,903	818,745	1,296,867	(144,445)	0	(144,445)
Interest and Fiscal Charges	190,786	0	0	0	(190,786)	0	(190,786)
<i>Total Governmental Activities</i>	<u>16,083,543</u>	<u>2,543,770</u>	<u>1,074,470</u>	<u>2,400,063</u>	<u>(10,065,240)</u>	<u>0</u>	<u>(10,065,240)</u>
Business-Type Activities							
Water	3,089,988	2,660,625	46,123	10,000	0	(373,240)	(373,240)
Sewer	2,362,030	2,722,054	0	0	0	360,024	360,024
Sanitation	1,488,968	1,546,263	30,222	0	0	87,517	87,517
<i>Total Business-Type Activities</i>	<u>6,940,986</u>	<u>6,928,942</u>	<u>76,345</u>	<u>10,000</u>	<u>0</u>	<u>74,301</u>	<u>74,301</u>
<i>Total Primary Government</i>	<u>\$ 23,024,529</u>	<u>\$ 9,472,712</u>	<u>\$ 1,150,815</u>	<u>\$ 2,410,063</u>	<u>(10,065,240)</u>	<u>74,301</u>	<u>(9,990,939)</u>
General Revenues:							
Property Taxes Levied for:							
					972,308	0	972,308
					182,514	0	182,514
					335,256	0	335,256
Income Taxes Levied for:							
					3,039,617	0	3,039,617
					3,005,083	0	3,005,083
					345,632	0	345,632
					611,502	0	611,502
					305,751	0	305,751
					225,735	0	225,735
Grants and Entitlements not Restricted to Specific Programs							
					567,213	0	567,213
					76,906	0	76,906
					171,845	64,005	235,850
<i>Total General Revenues</i>					<u>9,839,362</u>	<u>64,005</u>	<u>9,903,367</u>
<i>Change in Net Position</i>					<u>(225,878)</u>	<u>138,306</u>	<u>(87,572)</u>
<i>Net Position Beginning of Year</i>					<u>23,371,055</u>	<u>16,257,266</u>	<u>39,628,321</u>
<i>Net Position End of Year</i>					<u>\$ 23,145,177</u>	<u>\$ 16,395,572</u>	<u>\$ 39,540,749</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	Safety Forces Operation	Airport Federal	Fire Station	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 472,679	\$ 43,890	\$ 936,156	\$ 31,327	\$ 4,409,895	\$ 5,893,947
Accounts Receivable	48,868	0	0	0	125,568	174,436
Intergovernmental Receivable	263,281	0	288,870	0	1,516,591	2,068,742
Taxes Receivable	1,694,239	515,685	0	0	823,846	3,033,770
Materials and Supplies Inventory	84,833	0	0	0	230,637	315,470
<i>Total Assets</i>	<u>\$ 2,563,900</u>	<u>\$ 559,575</u>	<u>\$ 1,225,026</u>	<u>\$ 31,327</u>	<u>\$ 7,106,537</u>	<u>\$ 11,486,365</u>
Liabilities						
Accounts Payable	\$ 20,100	\$ 4,891	\$ 0	\$ 0	\$ 54,589	\$ 79,580
Accrued Wages	64,554	138,544	0	0	43,574	246,672
Contracts Payable	52,009	0	988,578	0	0	1,040,587
Intergovernmental Payable	80,265	112,781	0	0	28,094	221,140
Matured Compensated Absences Payable	0	0	0	0	15,343	15,343
<i>Total Liabilities</i>	<u>216,928</u>	<u>256,216</u>	<u>988,578</u>	<u>0</u>	<u>141,600</u>	<u>1,603,322</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	964,872	0	0	0	488,544	1,453,416
Unavailable Revenue	571,094	254,397	280,676	0	1,285,002	2,391,169
<i>Total Deferred Inflows of Resources</i>	<u>1,535,966</u>	<u>254,397</u>	<u>280,676</u>	<u>0</u>	<u>1,773,546</u>	<u>3,844,585</u>
Fund Balances						
Nonspendable	125,458	0	0	0	230,637	356,095
Restricted	0	48,962	0	31,327	4,724,348	4,804,637
Committed	105,529	0	0	0	236,406	341,935
Assigned	325,900	0	0	0	0	325,900
Unassigned	254,119	0	(44,228)	0	0	209,891
<i>Total Fund Balances</i>	<u>811,006</u>	<u>48,962</u>	<u>(44,228)</u>	<u>31,327</u>	<u>5,191,391</u>	<u>6,038,458</u>
<i>Total Liabilities, Deferred Inflows of of Resources and Fund Balances</i>	<u>\$ 2,563,900</u>	<u>\$ 559,575</u>	<u>\$ 1,225,026</u>	<u>\$ 31,327</u>	<u>\$ 7,106,537</u>	<u>\$ 11,486,365</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balances		\$ 6,038,458
 <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.		33,480,590
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	\$ 17,602	
Income Tax	770,971	
Intergovernmental	1,591,782	
Charges for Services	10,814	2,391,169
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(21,855)
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	3,864,076	
Deferred Inflows - Pension	(239,651)	
Net Pension Liability	(14,651,026)	(11,026,601)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(5,653,331)	
ODOT Loan	(298,798)	
Capital Leases	(424,790)	
Compensated Absences	(1,339,665)	(7,716,584)
<i>Net Position of Governmental Activities</i>		\$ 23,145,177

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Safety Forces Operation	Airport Federal	Fire Station	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 974,548	\$ 0	\$ 0	\$ 0	\$ 518,891	\$ 1,493,439
Income Taxes	2,970,557	2,396,885	0	0	1,915,074	7,282,516
Other Local Taxes	225,735	0	0	0	0	225,735
Charges for Services	179,750	0	0	0	694,675	874,425
Licenses and Permits	29,703	0	0	0	415,283	444,986
Fines and Forfeitures	310,724	0	0	0	742,968	1,053,692
Intergovernmental	561,320	0	1,035,687	0	1,646,761	3,243,768
Interest	75,544	0	0	1,362	5,298	82,204
Rent	64,531	0	0	0	0	64,531
Contributions and Donations	126,323	0	0	0	91,645	217,968
Other	85,670	45,144	0	0	54,328	185,142
<i>Total Revenues</i>	<u>5,604,405</u>	<u>2,442,029</u>	<u>1,035,687</u>	<u>1,362</u>	<u>6,084,923</u>	<u>15,168,406</u>
Expenditures						
Current:						
General Government	2,870,050	0	0	0	906,516	3,776,566
Security of Persons and Property	1,943,861	2,845,324	0	0	1,309,147	6,098,332
Public Health	224,324	0	0	0	558,724	783,048
Leisure Time Services	744,112	0	0	0	3,769	747,881
Community Development	0	0	0	0	121,510	121,510
Transportation	35,643	0	0	0	1,363,067	1,398,710
Capital Outlay	120,822	35,160	1,079,915	2,468,027	1,416,764	5,120,688
Debt Service:						
Principal Retirement	13,894	0	0	0	497,649	511,543
Interest and Fiscal Charges	4,750	0	0	0	189,828	194,578
<i>Total Expenditures</i>	<u>5,957,456</u>	<u>2,880,484</u>	<u>1,079,915</u>	<u>2,468,027</u>	<u>6,366,974</u>	<u>18,752,856</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(353,051)</u>	<u>(438,455)</u>	<u>(44,228)</u>	<u>(2,466,665)</u>	<u>(282,051)</u>	<u>(3,584,450)</u>
Other Financing Sources (Uses)						
Inception of Capital Leases	0	0	0	0	144,149	144,149
Proceeds from Sale of Capital Assets	9,050	0	0	0	2,900	11,950
Transfers In	0	0	0	0	15,000	15,000
Transfers Out	(15,000)	0	0	0	0	(15,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,950)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>162,049</u>	<u>156,099</u>
<i>Net Change in Fund Balance</i>	<u>(359,001)</u>	<u>(438,455)</u>	<u>(44,228)</u>	<u>(2,466,665)</u>	<u>(120,002)</u>	<u>(3,428,351)</u>
<i>Fund Balance Beginning of Year</i>	<u>1,170,007</u>	<u>487,417</u>	<u>0</u>	<u>2,497,992</u>	<u>5,311,393</u>	<u>9,466,809</u>
<i>Fund Balance End of Year</i>	<u>\$ 811,006</u>	<u>\$ 48,962</u>	<u>\$ (44,228)</u>	<u>\$ 31,327</u>	<u>\$ 5,191,391</u>	<u>\$ 6,038,458</u>

See accompanying notes and accountant's compilation report.

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017*

Net Change in Fund Balances - Total Governmental Funds		\$ (3,428,351)
 <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	\$ 5,671,324	
Current Year Depreciation	<u>(1,613,123)</u>	4,058,201
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.		
		(273,301)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(3,361)	
Income Tax	25,070	
Charges for Services	(16,096)	
Intergovernmental	<u>163,770</u>	169,383
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	325,000	
ODOT Loan	41,050	
Capital Lease	<u>145,493</u>	511,543
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		5,797
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		(2,005)
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(144,149)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,185,290
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.		
		(2,226,929)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(81,357)</u>
 <i>Change in Net Position of Governmental Activities</i>		 <u><u>\$ (225,878)</u></u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 985,000	\$ 985,000	\$ 974,548	\$ (10,452)
Income Taxes	2,709,389	2,709,389	2,549,970	(159,419)
Other Local Taxes	220,000	220,000	222,171	2,171
Charges for Services	178,000	178,000	179,750	1,750
Licenses and Permits	20,000	20,000	29,703	9,703
Fines and Forfeitures	378,700	378,700	310,942	(67,758)
Intergovernmental	597,000	597,000	560,448	(36,552)
Interest	90,000	90,000	80,830	(9,170)
Rent	21,000	21,000	29,631	8,631
Contributions and Donations	0	0	3,981	3,981
Other	137,500	137,500	104,542	(32,958)
<i>Total Revenues</i>	<u>5,336,589</u>	<u>5,336,589</u>	<u>5,046,516</u>	<u>(290,073)</u>
Expenditures				
Current:				
General Government	2,715,053	2,689,945	2,412,728	277,217
Security of Persons and Property	2,067,715	2,235,137	2,125,307	109,830
Public Health	306,610	294,248	241,979	52,269
Leisure Time Services	890,060	804,344	745,642	58,702
Transportation	66,800	56,779	37,905	18,874
Capital Outlay	0	18,000	17,019	981
Debt Service:				
Principal Retirement	0	14,350	13,894	456
Interest and Fiscal Charges	0	4,750	4,750	0
<i>Total Expenditures</i>	<u>6,046,238</u>	<u>6,117,553</u>	<u>5,599,224</u>	<u>518,329</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(709,649)</u>	<u>(780,964)</u>	<u>(552,708)</u>	<u>228,256</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	9,050	9,050
Transfers Out	(15,000)	(15,000)	(15,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(5,950)</u>	<u>9,050</u>
<i>Net Change in Fund Balance</i>	<u>(724,649)</u>	<u>(795,964)</u>	<u>(558,658)</u>	<u>237,306</u>
<i>Fund Balance Beginning of Year</i>	745,460	745,460	745,460	0
Prior Year Encumbrances Appropriated	63,294	63,294	63,294	0
<i>Fund Balance End of Year</i>	<u>\$ 84,105</u>	<u>\$ 12,790</u>	<u>\$ 250,096</u>	<u>\$ 237,306</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Operation Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income Taxes	\$ 2,655,000	\$ 2,655,000	\$ 2,397,151	\$ (257,849)
Other	45,000	45,000	45,144	144
<i>Total Revenues</i>	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,442,295</u>	<u>(257,705)</u>
Expenditures				
Current:				
General Government	276,226	5,877	0	5,877
Security of Persons and Property	2,569,832	2,875,341	2,621,314	254,027
Capital Outlay	70,320	35,160	35,160	0
<i>Total Expenditures</i>	<u>2,916,378</u>	<u>2,916,378</u>	<u>2,656,474</u>	<u>259,904</u>
<i>Net Change in Fund Balance</i>	(216,378)	(216,378)	(214,179)	2,199
<i>Fund Balance Beginning of Year</i>	186,973	186,973	186,973	0
Prior Year Encumbrances Appropriated	54,834	54,834	54,834	0
<i>Fund Balance End of Year</i>	<u>\$ 25,429</u>	<u>\$ 25,429</u>	<u>\$ 27,628</u>	<u>\$ 2,199</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 1,104,547	\$ 1,372,868	\$ 1,328,025	\$ 3,805,440
Accounts Receivable	428,672	433,929	5,629	868,230
Materials and Supplies Inventory	564,301	4,725	3,622	572,648
<i>Total Current Assets</i>	<u>2,097,520</u>	<u>1,811,522</u>	<u>1,337,276</u>	<u>5,246,318</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	137,746	82,554	9,993	230,293
Depreciable Capital Assets, Net	7,972,751	9,448,640	383,663	17,805,054
<i>Total Non-Current Assets</i>	<u>8,110,497</u>	<u>9,531,194</u>	<u>393,656</u>	<u>18,035,347</u>
<i>Total Assets</i>	<u>10,208,017</u>	<u>11,342,716</u>	<u>1,730,932</u>	<u>23,281,665</u>
Deferred Outflow of Resources				
Pension	578,187	455,150	409,962	1,443,299
<i>Total Deferred Outflow of Resources</i>	<u>578,187</u>	<u>455,150</u>	<u>409,962</u>	<u>1,443,299</u>
<i>Total Assets and Deferred Outflow of Resources</i>	<u>10,786,204</u>	<u>11,797,866</u>	<u>2,140,894</u>	<u>24,724,964</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	8,569	8,143	37,582	54,294
Accrued Wages	30,959	24,382	23,010	78,351
Contracts Payable	8,686	0	0	8,686
Intergovernmental Payable	22,960	17,976	16,451	57,387
Accrued Interest Payable	700	22,881	1,094	24,675
Compensated Absences Payable	49,377	33,171	17,455	100,003
Capital Leases Payable	31,692	18,493	12,036	62,221
OPWC Loans Payable	5,000	21,539	0	26,539
OWDA Loans Payable	0	581,554	0	581,554
<i>Total Current Liabilities</i>	<u>157,943</u>	<u>728,139</u>	<u>107,628</u>	<u>993,710</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	66,845	48,213	15,957	131,015
Capital Leases Payable - Net of Current Portion	0	19,629	12,744	32,373
OPWC Loans Payable - Net of Current Portion	37,962	165,966	0	203,928
OWDA Loans Payable - Net of Current Portion	0	3,434,230	0	3,434,230
Net Pension Liability (See Note 10)	1,401,039	1,138,344	963,214	3,502,597
<i>Total Long-Term Liabilities</i>	<u>1,505,846</u>	<u>4,806,382</u>	<u>991,915</u>	<u>7,304,143</u>
<i>Total Liabilities</i>	<u>1,663,789</u>	<u>5,534,521</u>	<u>1,099,543</u>	<u>8,297,853</u>
Deferred Inflows of Resources				
Pension	12,608	10,370	8,561	31,539
<i>Net Position</i>				
Net Investment in Capital Assets	8,027,157	5,783,523	368,876	14,179,556
Unrestricted	1,082,650	469,452	663,914	2,216,016
<i>Total Net Position</i>	<u>\$ 9,109,807</u>	<u>\$ 6,252,975</u>	<u>\$ 1,032,790</u>	<u>\$ 16,395,572</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating Revenues				
Charges for Services	\$ 2,660,625	\$ 2,722,054	\$ 1,546,263	\$ 6,928,942
Other	44,829	12,840	5,757	63,426
<i>Total Operating Revenues</i>	<u>2,705,454</u>	<u>2,734,894</u>	<u>1,552,020</u>	<u>6,992,368</u>
Operating Expenses				
Salaries and Wages	798,817	655,500	590,768	2,045,085
Fringe Benefits	563,648	411,463	398,000	1,373,111
Contractual Services	560,409	412,203	385,421	1,358,033
Materials and Supplies	726,942	328,717	52,845	1,108,504
Depreciation	437,203	505,686	59,737	1,002,626
<i>Total Operating Expenses</i>	<u>3,087,019</u>	<u>2,313,569</u>	<u>1,486,771</u>	<u>6,887,359</u>
<i>Operating Income (Loss)</i>	<u>(381,565)</u>	<u>421,325</u>	<u>65,249</u>	<u>105,009</u>
Non-Operating Revenues (Expenses)				
Intergovernmental	46,123	0	30,222	76,345
Gain on Sale of Capital Assets	579	0	0	579
Loss on Disposal of Capital Assets	0	(5,494)	(1,103)	(6,597)
Interest and Fiscal Charges	(2,969)	(42,967)	(1,094)	(47,030)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>43,733</u>	<u>(48,461)</u>	<u>28,025</u>	<u>23,297</u>
<i>Income (Loss) Before Contributions</i>	<u>(337,832)</u>	<u>372,864</u>	<u>93,274</u>	<u>128,306</u>
Capital Contributions	10,000	0	0	10,000
<i>Change in Net Position</i>	<u>(327,832)</u>	<u>372,864</u>	<u>93,274</u>	<u>138,306</u>
<i>Net Position Beginning of Year</i>	<u>9,437,639</u>	<u>5,880,111</u>	<u>939,516</u>	<u>16,257,266</u>
<i>Net Position End of Year</i>	<u>\$ 9,109,807</u>	<u>\$ 6,252,975</u>	<u>\$ 1,032,790</u>	<u>\$ 16,395,572</u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,570,664	\$ 2,646,780	\$ 1,546,263	\$ 6,763,707
Cash Received from Other Operating Receipts	44,829	12,840	5,757	63,426
Cash Payments to Suppliers	(1,273,033)	(760,658)	(423,625)	(2,457,316)
Cash Payments to Employees for Services and Benefits	(1,207,261)	(912,657)	(852,604)	(2,972,522)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>135,199</u>	<u>986,305</u>	<u>275,791</u>	<u>1,397,295</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	88,612	0	30,664	119,276
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>88,612</u>	<u>0</u>	<u>30,664</u>	<u>119,276</u>
Cash Flows from Capital and Related Financing Activities				
Capital Grants	10,000	0	0	10,000
Proceeds of OPWC Loans	2,962	23,650	0	26,612
Payment for Capital Acquisitions	(137,901)	(127,092)	(140,416)	(405,409)
Proceeds from Sale of Capital Assets	3,675	1,400	0	5,075
Principal Payments on Debt	(32,429)	(609,453)	(13,495)	(655,377)
Interest Payments on Debt	(3,630)	(41,016)	0	(44,646)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(157,323)</u>	<u>(752,511)</u>	<u>(153,911)</u>	<u>(1,063,745)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	66,488	233,794	152,544	452,826
<i>Cash and Investments Beginning of Year</i>	<u>1,038,059</u>	<u>1,139,074</u>	<u>1,175,481</u>	<u>3,352,614</u>
<i>Cash and Investments End of Year</i>	<u>\$ 1,104,547</u>	<u>\$ 1,372,868</u>	<u>\$ 1,328,025</u>	<u>\$ 3,805,440</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ (381,565)	\$ 421,325	\$ 65,249	\$ 105,009
Adjustments:				
Depreciation	437,203	505,686	59,737	1,002,626
(Increase) Decrease in Assets:				
Accounts Receivable	(89,961)	(75,274)	0	(165,235)
Materials and Supplies Inventory	26,038	3,763	1,533	31,334
Deferred Outflows - Pension	(191,461)	(129,453)	(153,811)	(474,725)
Increase (Decrease) in Liabilities:				
Accounts Payable	(11,720)	(23,501)	13,108	(22,113)
Accrued Wages	(2,465)	1,378	2,415	1,328
Compensated Absences Payable	(29,174)	4,809	599	(23,766)
Matured Compensated Absences Payable	0	(240)	0	(240)
Intergovernmental Payable	4,886	5,169	4,190	14,245
Deferred Inflows - Pension	388,307	285,430	(9,652)	664,085
Net Pension Liability	(14,889)	(12,787)	292,423	264,747
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 135,199</u>	<u>\$ 986,305</u>	<u>\$ 275,791</u>	<u>\$ 1,397,295</u>

Noncash Capital Financing Activities:

The City purchased \$5,048 and \$8,686 of capital assets on account in 2016 and 2017, respectively.
The City purchased \$97,231 of capital assets through capital leasing in 2017.

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Investments	\$ 25,176
Cash in Segregated Accounts	158,858
Accounts Receivable	<u>1,355</u>
<i>Total Assets</i>	<u><u>\$ 185,389</u></u>
Liabilities	
Undistributed Monies	<u><u>\$ 185,389</u></u>

See accompanying notes and accountant's compilation report.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017

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, 2017

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.

Airport Federal Fund The airport federal capital projects fund is used to account for federal grants for the renovation of the City's airport.

Fire Station Fund The fire station capital projects 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, 2017*

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, 2017

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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, payments in lieu of taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, payments in lieu of 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, 2017

E. Pooled Cash and Investments

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments."

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

During 2017, investments were limited to 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 2017 amounted to \$75,544, where \$71,991 was assigned from other funds.

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

F. Materials and Supplies Inventory

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

G. Capital Assets

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

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

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017*

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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, 2017

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, 2017, 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, 2017

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, 2017

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.

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For the Year Ended December 31, 2017*

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

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

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

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

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:

City of New Philadelphia
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Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

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

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

Net Change in Fund Balance		
	General	Safety Forces Operation
GAAP Basis	\$ (359,001)	\$ (438,455)
Revenue Accruals	(14,202)	266
Expenditure Accruals	(187,091)	240,272
Funds Budgeted Elsewhere	42,815 **	0
Encumbrances	(41,179)	(16,262)
Budget Basis	\$ (558,658)	\$ (214,179)

** 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

City of New Philadelphia
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Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days.;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017*

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

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

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, 2017, the City had the following investments and maturities:

Rating	Investment	Measurement Amount	Investment Maturities in Months			% Total
			0-12	13-36	Over 36	
	Net Asset Value (NAV)					
AAAm	First American Government Obligations	11,098	11,098	0	0	0.2%
	Fair Value:					
AA+	Federal Home Loan Mortgage	\$ 1,640,225	\$ 0	\$ 982,045	\$ 658,180	27.1%
Aaa	Federal Farm Credit Bank	436,220	0	436,220	0	7.2%
AAA	Federal Home Loan Banks	439,626	439,626	0	0	7.3%
	Federal National Mortgage					
Aaa	Association MTN	493,730	0	493,730	0	8.2%
AA+	Fannie Mae	564,466	0	564,466	0	9.3%
P-1	Commercial Paper	2,464,341	1,236,196	244,260	983,885	40.7%
	Total Investments	<u>\$ 6,049,706</u>	<u>\$ 1,686,920</u>	<u>\$ 2,720,721</u>	<u>\$ 1,642,065</u>	<u>99.8%</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2017. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

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, 2017.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

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

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$4.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 329,710,610
Public Utilities - Real	33,200
Public Utilities - Personal	10,773,410
Total Assessed Value	\$ 340,517,220

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6: RECEIVABLES

Receivables at December 31, 2017 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.

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

*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017*

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 2017, the balance was allocated 59 percent to the general fund, 10 percent to master capital 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. For 2018 the allocation for the general fund changes to 69 percent while no funds are allocated to master capital.

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2017 follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,134,097	\$ 259,018	\$ 0	\$ 1,393,115
Construction in progress	2,312,141	2,415,368	(4,727,509)	0
<i>Total Capital Assets Not Being Depreciated</i>	3,446,238	2,674,386	(4,727,509)	1,393,115
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Building Improvements	7,543,254	4,727,509	0	12,270,763
Improvements Other than Buildings	5,346,356	1,983,079	0	7,329,435
Machinery and Equipment	5,527,504	282,114	(255,863)	5,553,755
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	4,698,704	601,618	(160,069)	5,140,253
Infrastructure	33,013,777	130,127	0	33,143,904
<i>Total Capital Assets, Being Depreciated</i>	56,239,686	7,724,447	(415,932)	63,548,201
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(4,277,690)	(215,327)	0	(4,493,017)
Improvements Other than Buildings	(2,881,566)	(166,794)	0	(3,048,360)
Machinery and Equipment	(3,526,026)	(225,327)	31,318	(3,720,035)
Furniture and Fixtures	(100,709)	(1,046)	0	(101,755)
Vehicles	(2,894,344)	(217,944)	111,313	(3,000,975)
Infrastructure	(16,309,899)	(786,685)	0	(17,096,584)
<i>Total Accumulated Depreciation</i>	(29,990,234)	(1,613,123) *	142,631 *	(31,460,726)
<i>Total Capital Assets Being Depreciated, Net</i>	26,249,452	6,111,324	(273,301)	32,087,475
<i>Total Governmental Activities Capital Assets, Net</i>	\$ 29,695,690	\$ 8,785,710	\$ (5,000,810)	\$ 33,480,590

City of New Philadelphia
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Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 127,333
Leisure Time Services	222,049
Public Health	19,498
Security of Persons and Property	307,814
Transportation	936,375
Community and Economic Development	54
Total	\$ 1,613,123

	Balance 12/31/2016	Additions	Deletions	Transfers	Balance 12/31/2017
Business-Type Activities:					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 51,892	\$ 0	\$ 0	\$ 0	\$ 51,892
Construction in progress	47,611	130,790	0	0	178,401
<i>Total Capital Assets Not Being Depreciated</i>	99,503	130,790	0	0	230,293
<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	9,950	0	0	6,903,852
Machinery and Equipment	5,093,515	21,341	(13,718)	0	5,101,138
Furniture and Fixtures	20,554	0	0	0	20,554
Vehicles	2,209,174	317,397	(208,141)	0	2,318,430
Sewer Lines	6,873,133	0	0	0	6,873,133
Water Lines	14,923,561	26,800	0	0	14,950,361
<i>Total Capital Assets, Being Depreciated</i>	45,206,458	375,488	(221,859)	0	45,360,087
<i>Less Accumulated Depreciation:</i>					
Buildings and Building Improvements	(5,881,950)	(208,511)	0	0	(6,090,461)
Improvements Other than Buildings	(2,959,781)	(210,396)	0	0	(3,170,177)
Machinery and Equipment	(4,275,906)	(60,567)	13,032	0	(4,323,441)
Furniture and Fixtures	(19,526)	0	0	0	(19,526)
Vehicles	(1,697,886)	(119,589)	197,734	0	(1,619,741)
Sewer Lines	(3,173,490)	(112,675)	0	0	(3,286,165)
Water Lines	(8,754,634)	(290,888)	0	0	(9,045,522)
<i>Total Accumulated Depreciation</i>	(26,763,173)	(1,002,626)	210,766	0	(27,555,033)
<i>Total Capital Assets Being Depreciated, Net</i>	18,443,285	(627,138)	(11,093)	0	17,805,054
<i>Total Business-Type Activities Capital Assets, Net</i>	\$ 18,542,788	\$ (496,348)	\$ (11,093)	\$ 0	\$ 18,035,347

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 2017, the City contracted with several companies for various types of insurance as follows:

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<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.

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.

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*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017*

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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*Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017*

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

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

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

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	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 \$737,198 for 2017. Of this amount, \$32,533 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.

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

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

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

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$742,971 for 2017. Of this amount, \$28,381 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.03856076%	0.14836200%	
Prior Measurement Period	0.03931600%	0.14920500%	
Change in Proportion	<u>-0.00075524%</u>	<u>-0.00084300%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 8,756,492	\$ 9,397,131	\$ 18,153,623
Pension Expense	\$ 1,802,236	\$ 1,173,680	\$ 2,975,916

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 1,304,045	\$ 923,729	\$ 2,227,774
Differences between Expected and			
Actual Experience	11,869	2,659	14,528
Changes of Assumptions	1,388,886	0	1,388,886
Changes in Proportionate Share	66,499	129,519	196,018
City Contributions Subsequent			
to the Measurement Date	<u>737,198</u>	<u>742,971</u>	<u>1,480,169</u>
Total Deferred Outflows of Resources	<u>\$ 3,508,497</u>	<u>\$ 1,798,878</u>	<u>\$ 5,307,375</u>
Deferred Inflows of Resources			
Differences between Expected and			
Actual Experience	\$ 52,112	\$ 21,636	\$ 73,748
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	0	0	0
Changes of Assumptions	0	0	0
Changes in Proportionate Share	<u>159,355</u>	<u>38,087</u>	<u>197,442</u>
Total Deferred Inflows of Resources	<u>\$ 211,467</u>	<u>\$ 59,723</u>	<u>\$ 271,190</u>

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\$1,480,169 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2018	1,038,832	372,700	\$ 1,411,532
2019	1,098,300	372,702	1,471,002
2020	460,924	289,890	750,814
2021	(38,224)	(36,363)	(74,587)
2022	0	(2,052)	(2,052)
Thereafter	0	(693)	(693)
	\$ 2,559,832	\$ 996,184	\$ 3,556,016

Actuarial Assumptions - OPERS

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

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

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

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period

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base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability:	\$ 13,377,498	\$ 8,756,492	\$ 4,905,699

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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2009, using mortality improvement Scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in OPF's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016, are summarized as follows:

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

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected 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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

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

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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:	\$ 12,515,824	\$ 9,397,131	\$ 6,753,939

Changes between Measurement Date and Report Date

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

NOTE 11: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

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

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

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

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

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

Substantially all of the City’s contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$56,708, \$99,797, and \$97,595 respectively. For 2017, 96 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Ohio Police and Fire Pension Fund

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

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

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

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

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

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

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

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

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015 were \$17,230, \$15,695 and \$14,844, respectively. 96 percent has been contributed for police and 96 percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

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

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

The City provides life insurance and accidental death and dismemberment insurance to all full-time employees through American United Life.

B. Compensated Absences

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

Employees earn sick leave at the rate of 4.6 hours for every 80 hours worked for City employees and police officers, and at a rate of 13.85 hours for every 104 hours of service for firefighters. Sick leave accumulation is limited based on years of service and is paid upon retirement. As of December 31, 2017, the total liability for unpaid compensated absences was \$1,570,683.

NOTE 13: LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
City Improvement Refunding Bonds - 2013	1.0-2.1	\$ 1,545,000	December 1, 2021
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 Public Works Commission - 2017	0.00	45,000	N/A
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

* The total loan (project) is not yet 100 percent complete

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

	Amount Outstanding 12/31/2016	Additions	(Reductions)	Amount Outstanding 12/31/2017	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
2013 City Improvement Refunding Bonds	\$ 895,000	\$ 0	\$ (175,000)	\$ 720,000	\$ 175,000
2016 Fire Station Construction Bonds					
Serial and Term Bonds	4,950,000	0	(150,000)	4,800,000	150,000
Unamortized Premium	139,128	0	(5,797)	133,331	0
Total General Obligation Bonds	5,984,128	0	(330,797)	5,653,331	325,000
Loans					
Ohio Department of Transportation	339,848	0	(41,050)	298,798	42,290
Total Loans	339,848	0	(41,050)	298,798	42,290
Net Pension Liability:					
OPERS	4,273,590	980,305	0	5,253,895	0
OPF	9,598,462	0	(201,331)	9,397,131	0
Total Net Pension Liability	13,872,052	980,305	(201,331)	14,651,026	0
Other Long-Term Obligations:					
Compensated Absences	1,258,308	96,700	(15,343)	1,339,665	467,328
Capital Leases	426,134	144,149	(145,493)	424,790	145,929
Total Other Long-Term Obligations	1,684,442	240,849	(160,836)	1,764,455	613,257
Total Governmental Activities	\$ 21,880,470	\$ 1,221,154	\$ (734,014)	\$ 22,367,610	\$ 980,547
Business-Type Activities					
OPWC Loans					
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	\$ 122,500	\$ 0	\$ (8,750)	\$ 113,750	\$ 17,500
Ohio Public Works Commission Loan - Clearwell	42,500	0	(2,500)	40,000	5,000
Ohio Public Works Commission -Bluebell Pump Station	28,275	0	(2,020)	26,255	4,039
Ohio Public Works Commission -WTP Backwash	0	2,962	0	2,962	0
Ohio Public Works Commission -WWTP Headworks Upgrade	23,850	23,650	0	47,500	0
Total OPWC Loans	217,125	26,612	(13,270)	230,467	26,539
OWDA Loans					
Ohio Water Development Authority Loan - Sewer Plant Expansion and Upgrade	2,920,931	0	(414,777)	2,506,154	415,608
Ohio Water Development Authority Loan - Bass Lake Project	576,030	0	(82,290)	493,740	82,290
Ohio Water Development Authority Loan - Waste Water Treatment Plant Improvements	375,754	0	(48,212)	327,542	49,929
Ohio Water Development Authority Loan - Sewer Loan	144,761	0	(7,755)	137,006	8,089
Ohio Water Development Authority Loan - 5 Points Storm Sewer	576,157	0	(24,815)	551,342	25,638
Total OWDA Loans	4,593,633	0	(577,849)	4,015,784	581,554
Net Pension Liability - OPERS:					
Sewer	852,914	285,430	0	1,138,344	0
Water	1,012,732	388,307	0	1,401,039	0
Sanitation	670,791	292,423	0	963,214	0
Total Net Pension Liability	2,536,437	966,160	0	3,502,597	0
Other Long-Term Obligations:					
Compensated Absences	254,784	(23,766)	0	231,018	100,003
Capital Leases	61,621	97,231	(64,258)	94,594	62,221
Total Other Long-Term Obligations	316,405	73,465	(64,258)	325,612	162,224
Total Business-Type Activities	\$ 7,663,600	\$ 1,066,237	\$ (655,377)	\$ 8,074,460	\$ 770,317

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The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$4,246,251 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 66.4 percent. The total principal and interest remaining to be paid on the loans is \$4,504,197. Principal and interest paid for the current year and total net revenues were \$632,169 and \$50,906, 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 percent of the principal amount redeemed, plus interest accrued to the redemption date, in December.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

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

	General		ODOT Loans		Total	
	Obligation Bonds		Principal	Interest	Principal	Interest
	Principal	Interest				
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	165,000	139,400	47,640	3,300	212,640	142,700
2023-2027	890,000	634,475	74,172	2,236	964,172	636,711
2028-2032	1,030,000	493,525	0	0	1,030,000	493,525
2033-2037	1,235,000	284,225	0	0	1,235,000	284,225
2038-2040	855,000	58,044	0	0	855,000	58,044
	<u>\$ 5,520,000</u>	<u>\$ 2,235,689</u>	<u>\$ 298,798</u>	<u>\$ 32,307</u>	<u>\$ 5,818,798</u>	<u>\$ 2,267,996</u>

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

	Ohio Public Works Commission Loans		Ohio Water Development Authority Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 26,539	\$ 581,554	\$ 37,589	\$ 608,093	\$ 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	26,539	597,447	22,909	623,986	22,909	
2023-2027	97,771	777,184	63,048	874,955	63,048	
2028-2032	0	228,400	36,843	228,400	36,843	
2033-2037	0	63,259	5,175	63,259	5,175	
	<u>\$ 230,467</u>	<u>\$ 4,015,784</u>	<u>\$ 257,946</u>	<u>\$ 4,246,251</u>	<u>\$ 257,946</u>	

NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE

In 2017, the City entered into lease agreements for vehicles for cemetery, general services and the fire department totaling \$144,149. In prior years, the City entered into lease agreements for park vehicles, a city wide phone system, and a municipal court phone system and fire tanker. These debts will be paid by the master capital improvement fund, general fund, muni court special fund and fire capital equipment fund. 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, 2017

In 2017 the City entered into lease agreements for vehicles in the sewer and sanitation department. In prior years, the City entered into a lease agreement for water vehicles. This debt will be paid by the respectively related revenue funds as well as the assets have been record to their respective funds.

The assets acquired by the leases have been capitalized in the amount of \$800,275, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$46,980 as of December 31, 2017, leaving a current book value of \$753,295. A corresponding liability is recorded and is reduced for each required principal payment.

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, 2017:

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Year Ending December 31:	2018	\$ 161,859	\$ 67,888
	2019	136,361	34,329
	2020	83,260	0
	2021	<u>69,980</u>	<u>0</u>
Minimum lease payments		451,460	102,217
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(26,670)</u>	<u>(7,623)</u>
Present value of minimum lease payments		<u>\$ 424,790</u>	<u>\$ 94,594</u>

NOTE 15: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017, consisted of the following:

	<u>Transfer From</u>
<u>Transfer To</u>	<u>General</u>
Sidewalk Improvement	<u>15,000</u>
<i>Total</i>	<u>\$ 15,000</u>

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

NOTE 16: SIGNIFICANT COMMITMENTS

A. *Contractual Commitments*

As of December 31, 2017, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2017</u>
Hall Community Dev-AC16 CHIP Admin(Preservation Prgm)	\$ 174,025	\$ 49,225	\$ 124,800
WE Quicksall-CDBG FY17 Admin	55,000	15,969	39,031
WTP Headworks Upgrade	394,144	0	394,144
Bridges Excavating WTP Backwash Contractor	147,955	69,729	78,226
WE Quicksall-WTP Backwash Line Engineering	37,000	45,356	(8,356)
Airport Runway Rehab - Shelley & Sands -Contractor	998,578	988,578	10,000
Airport Runway Rehab - Baker-Planning & Design	324,817	264,758	60,059
	<u>\$ 2,131,519</u>	<u>\$ 1,433,615</u>	<u>\$ 697,904</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	\$ 38,221
Safety Forces Operation	12,730
Fire Station	6,201
Airport Federal	49,014
Other Governmental Funds	72,969
	<u>\$ 179,135</u>
Totals	

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

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	Airport Federal	Fire Station	Other Governmental	Total
Nonspendable for:						
Inventory	\$ 84,833	\$ 0	\$ 0	\$ 0	\$ 230,637	\$ 315,470
Unclaimed Monies	40,625	0	0	0	0	40,625
Total Nonspendable	<u>125,458</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>230,637</u>	<u>356,095</u>
Restricted for:						
Public Safety and Law Enforcement	0	48,962	0	0	216,049	265,011
Street Maintenance	0	0	0	0	1,369,576	1,369,576
Cemetery	0	0	0	0	559,975	559,975
Debt Service	0	0	0	0	203,636	203,636
Municipal Court	0	0	0	0	881,876	881,876
Community Development	0	0	0	0	99,449	99,449
Capital Outlay	0	0	0	31,327	1,391,907	1,423,234
Park	0	0	0	0	1,880	1,880
Total Restricted	<u>0</u>	<u>48,962</u>	<u>0</u>	<u>31,327</u>	<u>4,724,348</u>	<u>4,804,637</u>
Committed for:						
Debt Service	0	0	0	0	97,014	97,014
Municipal Court	105,529	0	0	0	0	105,529
Other Purposes	0	0	0	0	139,392	139,392
Total Committed	<u>105,529</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>236,406</u>	<u>341,935</u>
Assigned:						
Encumbrances						
General Government	25,866	0	0	0	0	25,866
Security of Persons and Property	5,336	0	0	0	0	5,336
Leisure Time Activities	3,937	0	0	0	0	3,937
Airport Capital Improvement	41,797	0	0	0	0	41,797
Income Tax	3,082	0	0	0	0	3,082
Subsequent Year Appropriations	245,882	0	0	0	0	245,882
Total Assigned	<u>325,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>325,900</u>
Unassigned	<u>254,119</u>	<u>0</u>	<u>(44,228) *</u>	<u>0</u>	<u>0</u>	<u>209,891</u>
Total Fund Balance	<u>\$ 811,006</u>	<u>\$ 48,962</u>	<u>\$ (44,228)</u>	<u>\$ 31,327</u>	<u>\$ 5,191,391</u>	<u>\$ 6,038,458</u>

*Fund balances at December 31, 2017 included an individual fund deficit of \$44,228 in the Airport Federal Fund.

The deficit in this capital projects fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2017

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 2017, 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 2017, 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 2017, no monies were paid by the City.

D. Tax Incentive Revenue Council (TIRC)

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2017, 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, 2017

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, 2017.

B. Litigation

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

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

	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)				
City's Proportion of the Net Pension Liability	0.0385608%	0.0393160%	0.0399860%	0.0399860%
City's Proportionate Share of the Net Pension Liability	\$ 8,756,492	\$ 6,810,027	\$ 4,822,758	\$ 4,713,828
City's Covered Payroll	\$ 4,989,825	\$ 4,863,000	\$ 4,903,692	\$ 3,982,946
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.49%	140.04%	98.35%	118.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)				
City's Proportion of the Net Pension Liability	0.1483620%	0.1492050%	0.1453451%	0.1453451%
City's Proportionate Share of the Net Pension Liability	\$ 9,397,131	\$ 9,598,462	\$ 7,529,482	\$ 7,078,762
City's Covered Payroll	\$ 3,138,985	\$ 2,968,896	\$ 2,894,854	\$ 2,140,640
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	299.37%	323.30%	260.10%	330.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

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

Notes:

Ohio Public Employees' Retirement System (OPERS)

Changes of Benefit Terms: None.

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 737,198	\$ 598,779	\$ 583,560	\$ 588,443
Contributions in Relation to the Contractually Required Contribution	<u>(737,198)</u>	<u>(598,779)</u>	<u>(583,560)</u>	<u>(588,443)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 5,670,757	\$ 4,989,825	\$ 4,863,000	\$ 4,903,692
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 742,971	\$ 675,455	\$ 639,089	\$ 608,260
Contributions in Relation to the Contractually Required Contribution	<u>(742,971)</u>	<u>(675,455)</u>	<u>(639,089)</u>	<u>(608,260)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,445,910	\$ 3,138,985	\$ 2,968,896	\$ 2,894,854
Contributions as a Percentage of Covered Payroll	21.56%	21.52%	21.53%	21.01%

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 517,783	n/a	n/a	n/a	n/a	n/a
<u>(517,783)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ 0</u>	n/a	n/a	n/a	n/a	n/a
\$ 3,982,946	n/a	n/a	n/a	n/a	n/a
13.00%	n/a	n/a	n/a	n/a	n/a
\$ 389,142	\$ 375,944	\$ 397,105	\$ 485,569	\$ 367,704	\$ 362,822
<u>(389,142)</u>	<u>(375,944)</u>	<u>(397,105)</u>	<u>(485,569)</u>	<u>(367,704)</u>	<u>(362,822)</u>
<u>\$ 0</u>					
\$ 2,140,640	\$ 2,488,687	\$ 2,606,907	\$ 3,190,353	\$ 2,417,379	\$ 2,389,178
18.18%	15.11%	15.23%	15.22%	15.21%	15.19%