



Rea & associates *a brighter way*

City of New Philadelphia Tuscarawas County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
December 31, 2014



Dave Yost • Auditor of State

Members of City Council
City of New Philadelphia
150 E. High Avenue
New Philadelphia, OH 44663

We have reviewed the *Independent Auditor's Report* of the City of New Philadelphia, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 6, 2015

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City of New Philadelphia
Tuscarawas County, Ohio
December 31, 2014
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Tuscarawas County, Ohio
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June 4, 2015

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas, County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, street maintenance and repair fund, safety forces operation fund and CHIP/CDBG grant fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hea & Associates, Inc.

New Philadelphia, Ohio

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

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, 2014. 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 2014 are as follows:

- In total, net position increased \$1,647,039, which represents a 3 percent increase from 2013. Net position of governmental activities increased \$1,781,910 and the net position of business-type activities decreased \$134,871.
- Total capital assets decreased \$67,451 in 2014. Capital assets of governmental activities increased \$820,918 while capital assets of business-type activities decreased \$888,369.
- Outstanding debt decreased from \$7,795,761 to \$7,769,300 due to principal payments made during the year.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2014 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, street maintenance and repair, safety forces operation, and CHIP/CDBG grant funds are the most significant governmental funds. Business-type funds consist of the water, sewer and sanitation funds.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

A question typically asked about the City's finances "How did we do financially during 2014?" 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, street maintenance and repair fund, safety forces operation fund and the CHIP/CDBG grant fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

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 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$ 10,148,308	\$ 9,241,612	\$ 4,991,692	\$ 4,769,729	\$ 15,140,000	\$ 14,011,341
Capital Assets	27,837,718	27,016,800	20,040,128	20,928,497	47,877,846	47,945,297
<i>Total Assets</i>	<u>37,986,026</u>	<u>36,258,412</u>	<u>25,031,820</u>	<u>25,698,226</u>	<u>63,017,846</u>	<u>61,956,638</u>
Liabilities						
Long-Term Liabilities	2,764,570	2,664,566	6,184,392	6,642,737	8,948,962	9,307,303
Other Liabilities	592,169	741,548	324,992	398,182	917,161	1,139,730
<i>Total Liabilities</i>	<u>3,356,739</u>	<u>3,406,114</u>	<u>6,509,384</u>	<u>7,040,919</u>	<u>9,866,123</u>	<u>10,447,033</u>
Deferred Inflows of Resources	<u>1,033,446</u>	<u>1,038,367</u>	<u>0</u>	<u>0</u>	<u>1,033,446</u>	<u>1,038,367</u>
Net Position						
Net Investment in Capital Assets	26,063,218	25,553,545	14,723,332	15,242,142	40,786,550	40,795,687
Restricted	4,989,106	3,702,576	0	0	4,989,106	3,702,576
Unrestricted	2,543,517	2,557,810	3,799,104	3,415,165	6,342,621	5,972,975
<i>Total Net Position</i>	<u>\$ 33,595,841</u>	<u>\$ 31,813,931</u>	<u>\$ 18,522,436</u>	<u>\$ 18,657,307</u>	<u>\$ 52,118,277</u>	<u>\$ 50,471,238</u>

At year end, capital assets represented 76 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. In 2014, additional purchases exceeded depreciation expense and disposals in the governmental funds. The 5 points storm sewer and ODOT paving projects that were ongoing in 2013 were both placed into service during 2014. Additional construction in progress during 2014 for governmental activities included the widening of West High Avenue. In the business type funds, depreciation expense and disposals exceeded additional purchases of capital assets. There were additions to construction in progress for the North Broadway and Wabash Avenue waterline replacement project.

In the governmental activities, increases in cash balances can be attributed to an increase in income tax and fines and forfeitures revenue in 2014 over 2013. Intergovernmental receivable increased from 2013 due to an increase in CDBG and CHIP grants awarded and the timing of those receipts. In the business-type funds, increases in cash balances can be attributed to revenues exceeding expenses. Long-Term liabilities decreased as principal payments to debt obligations were made.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

The City's net investment in capital assets was \$40,786,550 at December 31, 2014, with \$26,063,218 in governmental activities and \$14,723,332 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$4,989,106, or 10 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$6,342,621 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,383,121	\$ 2,372,163	\$ 6,200,520	\$ 6,212,978	\$ 8,583,641	\$ 8,585,141
Operating Grants	1,446,752	870,149	18,533	20,270	1,465,285	890,419
Capital Grants	1,490,165	933,068	0	37,368	1,490,165	970,436
<i>General Revenues:</i>						
Property Taxes	1,014,696	1,052,137	0	0	1,014,696	1,052,137
Income Taxes	7,079,681	6,982,457	0	0	7,079,681	6,982,457
Other Taxes	262,841	59,100	0	0	262,841	59,100
Grants and Entitlements	624,857	814,303	0	0	624,857	814,303
Special Assessments	0	8,820	0	0	0	8,820
Gain on Sale of Capital Assets	0	0	482	0	482	0
Investment Earnings	17,444	2,219	0	0	17,444	2,219
Miscellaneous	232,998	215,239	74,222	81,210	307,220	296,449
Total Revenues	14,552,555	13,309,655	6,293,757	6,351,826	20,846,312	19,661,481
Program Expenses						
General Government	3,238,768	3,398,622	0	0	3,238,768	3,398,622
Security of Persons and Property	5,436,737	5,456,169	0	0	5,436,737	5,456,169
Public Health	765,873	803,338	0	0	765,873	803,338
Leisure Time Services	925,509	1,044,601	0	0	925,509	1,044,601
Community Development	354,931	386,297	0	0	354,931	386,297
Transportation	2,189,820	2,822,493	0	0	2,189,820	2,822,493
Interest and Fiscal Charges	26,714	107,802	0	0	26,714	107,802
<i>Enterprise Operations:</i>						
Water	0	0	2,702,131	2,633,739	2,702,131	2,633,739
Sewer	0	0	2,059,535	2,155,793	2,059,535	2,155,793
Sanitation	0	0	1,499,255	1,598,345	1,499,255	1,598,345
Total Program Expenses	12,938,352	14,019,322	6,260,921	6,387,877	19,199,273	20,407,199
Increase (Decrease) in Net Position	1,614,203	(709,667)	32,836	(36,051)	1,647,039	(745,718)
Transfers	167,707	402,902	(167,707)	(402,902)	0	0
Change in Net Position	1,781,910	(306,765)	(134,871)	(438,953)	1,647,039	(745,718)
Net Position Beginning of Year	31,813,931	32,120,696	18,657,307	19,096,260	50,471,238	51,216,956
Net Position End of Year	\$ 33,595,841	\$ 31,813,931	\$ 18,522,436	\$ 18,657,307	\$ 52,118,277	\$ 50,471,238

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

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.

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

The City saw a \$1,242,900 increase in total governmental revenue in 2014. This was primarily due to increases in operating and capital grants. The City was awarded CHIP and CDBG grants for community development projects during 2014.

Police and fire represent the largest expense of governmental activities. This expense of \$5,436,737 represents 42 percent of the total governmental activities expenses. The police and fire departments operate out of the General fund and the Safety Forces Operation fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$2,189,820, or 17 percent of total governmental activities expenses during 2014. The decrease in transportation in governmental funds from 2013 to 2014 can be attributed to a decrease in salaries and wages within the street department as well as a decrease in street material expenditures.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2014, charges for services of \$6,200,520 accounted for 99 percent of the business type revenues. The total expenses for the utilities were \$6,260,921.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$13,138,791 and expenditures of \$12,975,512. 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 2014 was an increase of \$15,675. Some expenditures for security of persons and property, such as the workers' compensation premium, and the police and fire pension payments, were paid out of other funds.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

The fund balance of the street maintenance and repair fund increased by \$364,837. The increase can be mostly attributed to a decrease in salaries and wages as well as materials expenditures.

The fund balance of the safety forces operation fund increased by \$342,092. There was an increase in intergovernmental and income tax receipts as well as a decrease in salaries and wages expenditures during 2014.

The CHIP/CDBG grant fund's net change in fund balance for fiscal year 2014 was an increase of \$13,941.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year amounted to \$2,290,184, the unrestricted net position of the sewer fund was \$956,399 and the unrestricted net position of the sanitation fund was \$552,521. The total decrease in net position for all three funds was \$134,871. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2014, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, the actual budget basis revenue (excluding other financing sources) was \$5,498,579, representing an increase of \$488,979 over the final budget estimate of \$5,009,600 (excluding other financing sources). Most of this difference was attributable to the actual amount of income tax and fines and forfeitures receipts being higher than anticipated in the final budget.

Final appropriations (excluding other financing uses) of \$6,021,725 were \$568,154 higher than the actual expenditures of \$5,453,571 (excluding other financing uses), as cost savings were recognized in all departments and capital outlay throughout the year.

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of year 2014, the City had \$47,877,846 invested in capital assets. A total of \$27,837,718 of this was for governmental activities and \$20,040,128 being attributable to business-type activities. Table 3 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,066,583	\$ 816,583	\$ 51,892	\$ 51,892	\$ 1,118,475	\$ 868,475
Infrastructure	15,075,897	14,303,548	0	0	15,075,897	14,303,548
Buildings and Building Improvements	3,538,042	3,663,053	3,735,983	3,952,787	7,274,025	7,615,840
Improvements Other Than Buildings	2,677,425	2,820,628	4,344,135	4,554,350	7,021,560	7,374,978
Machinery and Equipment	2,103,665	2,286,324	814,837	883,587	2,918,502	3,169,911
Furniture and Fixtures	12,140	13,853	1,028	1,028	13,168	14,881
Vehicles	1,806,404	1,869,802	620,443	696,300	2,426,847	2,566,102
Water Lines	0	0	6,475,984	6,771,999	6,475,984	6,771,999
Sewer Lines	0	0	3,928,208	3,892,652	3,928,208	3,892,652
Construction in Progress	1,557,562	1,243,009	67,618	123,902	1,625,180	1,366,911
<i>Total</i>	<u>\$ 27,837,718</u>	<u>\$ 27,016,800</u>	<u>\$ 20,040,128</u>	<u>\$ 20,928,497</u>	<u>\$ 47,877,846</u>	<u>\$ 47,945,297</u>

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

Debt

The outstanding debt for the City as of December 31, 2014 was \$7,769,300. See Note 13 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 1,235,000	\$ 1,405,000	\$ 0	\$ 0	\$ 1,235,000	\$ 1,405,000
ODOT Loan	352,000	0	0	0	352,000	0
Land Purchase	187,500	0	0	0	187,500	0
OPWC Loans	0	0	259,623	286,162	259,623	286,162
OWDA Loans	0	0	5,735,177	6,104,599	5,735,177	6,104,599
<i>Total</i>	<u>\$ 1,774,500</u>	<u>\$ 1,405,000</u>	<u>\$ 5,994,800</u>	<u>\$ 6,390,761</u>	<u>\$ 7,769,300</u>	<u>\$ 7,795,761</u>

City of New Philadelphia
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Economic Factors

In 2014, the City of New Philadelphia continued its efforts to monitor both revenues and expenses. Income tax receipts grew over 2013 by 1 percent, surpassing the \$7,000,000 mark for the first time. Unemployment numbers continued to drop for New Philadelphia in 2014.

The City was able to hold its existing rates for utilities steady for 2014 and didn't increase rates for 2015. The utilities' revenues are providing a stable flow for normal operations but need to be looked at closely on an annual basis. We need to be able to perform necessary repairs and make capital improvements in the area of utilities.

In 2014, the council and administration continued to work on ways to enhance and grow 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.

In 2014, in partnership with ODOT, the City embarked on a large paving and widening project on W. High Avenue, our main corridor to Interstate 77. This was a project 14 years in the making and has made that end of our town less congested and more accessible. This revamped area has been rezoned for retail development in anticipation of new businesses opening along this route.

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, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 4,890,038	\$ 3,880,989	\$ 8,771,027
Cash and Investments in Segregated Accounts	98,131	0	98,131
Accounts Receivable	298,812	721,898	1,020,710
Intergovernmental Receivable	1,613,624	4,739	1,618,363
Taxes Receivable	2,967,439	0	2,967,439
Materials and Supplies Inventory	280,264	384,066	664,330
Non-Depreciable Capital Assets	2,624,145	119,510	2,743,655
Depreciable Capital Assets, Net	25,213,573	19,920,618	45,134,191
<i>Total Assets</i>	<u>37,986,026</u>	<u>25,031,820</u>	<u>63,017,846</u>
Liabilities			
Accounts Payable	79,566	76,006	155,572
Accrued Wages	174,195	45,531	219,726
Contracts Payable	0	62,606	62,606
Intergovernmental Payable	231,953	65,908	297,861
Undistributed Monies	644	0	644
Accrued Interest Payable	1,930	25,678	27,608
Accrued Vacation Leave Payable	103,881	49,263	153,144
Long-Term Liabilities:			
Due Within One Year	652,097	637,709	1,289,806
Due in More Than One Year	2,112,473	5,546,683	7,659,156
<i>Total Liabilities</i>	<u>3,356,739</u>	<u>6,509,384</u>	<u>9,866,123</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	1,033,446	0	1,033,446
Net Position			
Net Investment in Capital Assets	26,063,218	14,723,332	40,786,550
Restricted For:			
Debt Service	69,547	0	69,547
Capital Outlay	994,583	0	994,583
Other Purposes	3,924,976	0	3,924,976
Unrestricted	2,543,517	3,799,104	6,342,621
<i>Total Net Position</i>	<u>\$ 33,595,841</u>	<u>\$ 18,522,436</u>	<u>\$ 52,118,277</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,238,768	\$ 1,275,350	\$ 800	\$ 614	\$ (1,962,004)	\$ 0	\$ (1,962,004)
Security of Persons and Property	5,436,737	554,620	61,718	0	(4,820,399)	0	(4,820,399)
Public Health	765,873	161,606	38,536	0	(565,731)	0	(565,731)
Leisure Time Services	925,509	94,184	0	0	(831,325)	0	(831,325)
Community Development	354,931	183,306	575,000	374,666	778,041	0	778,041
Transportation	2,189,820	114,055	770,698	1,114,885	(190,182)	0	(190,182)
Interest and Fiscal Charges	26,714	0	0	0	(26,714)	0	(26,714)
<i>Total Governmental Activities</i>	<u>12,938,352</u>	<u>2,383,121</u>	<u>1,446,752</u>	<u>1,490,165</u>	<u>(7,618,314)</u>	<u>0</u>	<u>(7,618,314)</u>
Business-Type Activities							
Water	2,702,131	2,358,153	0	0	0	(343,978)	(343,978)
Sewer	2,059,535	2,418,217	0	0	0	358,682	358,682
Sanitation	1,499,255	1,424,150	18,533	0	0	(56,572)	(56,572)
<i>Total Business-Type Activities</i>	<u>6,260,921</u>	<u>6,200,520</u>	<u>18,533</u>	<u>0</u>	<u>0</u>	<u>(41,868)</u>	<u>(41,868)</u>
<i>Total Primary Government</i>	<u>\$ 19,199,273</u>	<u>\$ 8,583,641</u>	<u>\$ 1,465,285</u>	<u>\$ 1,490,165</u>	<u>(7,618,314)</u>	<u>(41,868)</u>	<u>(7,660,182)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					854,316	0	854,316
Police, Fire and Community Operations					160,380	0	160,380
Income Taxes Levied for:							
General Purposes					2,890,223	0	2,890,223
Safety Forces Operations					2,380,850	0	2,380,850
Capital Outlay					221,243	0	221,243
Other Purposes					1,587,365	0	1,587,365
Other Local Taxes					262,841	0	262,841
Grants and Entitlements not Restricted to Specific Programs							
Gain on Sale of Capital Assets					624,857	0	624,857
Investment Earnings					0	482	482
Miscellaneous					17,444	0	17,444
					232,998	74,222	307,220
<i>Total General Revenues</i>					<u>9,232,517</u>	<u>74,704</u>	<u>9,307,221</u>
Transfers					<u>167,707</u>	<u>(167,707)</u>	<u>0</u>
<i>Change in Net Position</i>					<u>1,781,910</u>	<u>(134,871)</u>	<u>1,647,039</u>
<i>Net Position Beginning of Year</i>					<u>31,813,931</u>	<u>18,657,307</u>	<u>50,471,238</u>
<i>Net Position End of Year</i>					<u>\$ 33,595,841</u>	<u>\$ 18,522,436</u>	<u>\$ 52,118,277</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Balance Sheet
Governmental Funds
December 31, 2014

	General	Street Maintenance and Repair	Safety Forces Operation	CHIP/CDBG Grant	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 1,864,741	\$ 248,178	\$ 588,108	\$ 3,074	\$ 2,185,937	\$ 4,890,038
Cash and Investments in Segregated Accounts	0	0	0	0	98,131	98,131
Accounts Receivable	70,449	590	0	0	227,773	298,812
Intergovernmental Receivable	280,027	344,857	0	575,000	413,740	1,613,624
Taxes Receivable	1,515,934	176,995	636,816	0	637,694	2,967,439
Materials and Supplies Inventory	78,814	201,450	0	0	0	280,264
<i>Total Assets</i>	<u>\$ 3,809,965</u>	<u>\$ 972,070</u>	<u>\$ 1,224,924</u>	<u>\$ 578,074</u>	<u>\$ 3,563,275</u>	<u>\$ 10,148,308</u>
Liabilities						
Accounts Payable	\$ 36,003	\$ 1,493	\$ 2,088	\$ 15,500	\$ 24,482	\$ 79,566
Accrued Wages	49,495	22,332	91,994	0	10,374	174,195
Intergovernmental Payable	81,043	25,507	116,990	0	8,413	231,953
Undistributed Monies	0	0	0	0	644	644
<i>Total Liabilities</i>	<u>166,541</u>	<u>49,332</u>	<u>211,072</u>	<u>15,500</u>	<u>43,913</u>	<u>486,358</u>
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	870,273	0	0	0	163,173	1,033,446
Unavailable Revenue	355,045	261,609	140,078	473,970	529,147	1,759,849
<i>Total Deferred Inflows of Resources</i>	<u>1,225,318</u>	<u>261,609</u>	<u>140,078</u>	<u>473,970</u>	<u>692,320</u>	<u>2,793,295</u>
Fund Balances						
Nonspendable	102,790	201,450	0	0	0	304,240
Restricted	0	459,679	873,774	88,604	2,408,601	3,830,658
Committed	0	0	0	0	418,441	418,441
Assigned	904,337	0	0	0	0	904,337
Unassigned	1,410,979	0	0	0	0	1,410,979
<i>Total Fund Balances</i>	<u>2,418,106</u>	<u>661,129</u>	<u>873,774</u>	<u>88,604</u>	<u>2,827,042</u>	<u>6,868,655</u>
<i>Total Liabilities, Deferred Inflows of of Resources and Fund Balances</i>	<u>\$ 3,809,965</u>	<u>\$ 972,070</u>	<u>\$ 1,224,924</u>	<u>\$ 578,074</u>	<u>\$ 3,563,275</u>	<u>\$ 10,148,308</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2014

Total Governmental Fund Balances		\$ 6,868,655
 <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.		27,837,718
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	\$ 34,075	
Income Tax	409,609	
Intergovernmental	1,257,511	
Charges for Services	58,654	1,759,849
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(1,930)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,235,000)	
Loans Payable	(187,500)	
ODOT Loan	(352,000)	
Accrued Vacation Leave Payable	(103,881)	
Compensated Absences	(990,070)	(2,868,451)
<i>Net Position of Governmental Activities</i>		\$ 33,595,841

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Street Maintenance and Repair	Safety Forces Operation	CHIP/CDBG Grant	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 858,255	\$ 0	\$ 0	\$ 0	\$ 161,120	\$ 1,019,375
Income Taxes	3,016,237	683,633	2,433,638	0	1,104,106	7,237,614
Other Local Taxes	262,841	0	0	0	0	262,841
Charges for Services	272,830	0	0	0	582,340	855,170
Licenses and Permits	33,061	0	0	0	314,789	347,850
Fines and Forfeitures	465,408	0	0	0	720,070	1,185,478
Intergovernmental	640,745	715,867	31,044	236,568	264,876	1,889,100
Interest	17,444	5	0	0	2,015	19,464
Rent	66,034	0	0	0	0	66,034
Contributions and Donations	25,035	0	0	0	300	25,335
Other	89,880	23,947	70,216	0	46,487	230,530
<i>Total Revenues</i>	<u>5,747,770</u>	<u>1,423,452</u>	<u>2,534,898</u>	<u>236,568</u>	<u>3,196,103</u>	<u>13,138,791</u>
Expenditures						
Current:						
General Government	2,403,285	0	0	0	798,886	3,202,171
Security of Persons and Property	2,255,787	0	2,137,540	0	1,003,427	5,396,754
Public Health	255,174	0	0	0	475,740	730,914
Leisure Time Services	716,141	0	0	0	6,886	723,027
Community Development	0	0	0	222,627	19,032	241,659
Transportation	30,942	1,060,730	0	0	79,173	1,170,845
Capital Outlay	63,927	0	55,266	0	1,131,594	1,250,787
Debt Service:						
Principal Retirement	0	0	0	0	232,500	232,500
Interest and Fiscal Charges	0	0	0	0	26,855	26,855
<i>Total Expenditures</i>	<u>5,725,256</u>	<u>1,060,730</u>	<u>2,192,806</u>	<u>222,627</u>	<u>3,774,093</u>	<u>12,975,512</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>22,514</u>	<u>362,722</u>	<u>342,092</u>	<u>13,941</u>	<u>(577,990)</u>	<u>163,279</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	725	2,115	0	0	0	2,840
Proceeds from Loans	0	0	0	0	602,000	602,000
Transfers In	0	0	0	0	9,391	9,391
Transfers Out	(7,564)	0	0	0	(1,827)	(9,391)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,839)</u>	<u>2,115</u>	<u>0</u>	<u>0</u>	<u>609,564</u>	<u>604,840</u>
<i>Net Change in Fund Balance</i>	15,675	364,837	342,092	13,941	31,574	768,119
<i>Fund Balance Beginning of Year</i>	<u>2,402,431</u>	<u>296,292</u>	<u>531,682</u>	<u>74,663</u>	<u>2,795,468</u>	<u>6,100,536</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,418,106</u>	<u>\$ 661,129</u>	<u>\$ 873,774</u>	<u>\$ 88,604</u>	<u>\$ 2,827,042</u>	<u>\$ 6,868,655</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	768,119
 <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. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,483,047	
Current Year Depreciation	<u>(1,514,834)</u>	968,213
 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.		
		(147,295)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(4,677)	
Income Tax	(157,933)	
Charges for Services	(70,689)	
Intergovernmental	<u>529,713</u>	296,414
 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	170,000	
Loan Payable	<u>62,500</u>	232,500
 Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
ODOT Loan	(352,000)	
Loan Payable	<u>(250,000)</u>	(602,000)
 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		141
 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.		
Accrued Vacation Leave Payable	(3,678)	
Compensated Absences	<u>269,496</u>	<u>265,818</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>1,781,910</u></u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 781,932	\$ 1,036,672	\$ 858,255	\$ (178,417)
Income Taxes	2,544,769	2,557,600	2,793,161	235,561
Other Local Taxes	238,941	265,454	262,264	(3,190)
Charges for Services	272,711	264,138	299,330	35,192
Licenses and Permits	30,121	21,948	33,061	11,113
Fines and Forfeitures	431,757	111,624	473,900	362,276
Intergovernmental	570,191	654,678	625,846	(28,832)
Interest	13,300	6,860	14,598	7,738
Rent	34,884	22,256	38,289	16,033
Contributions and Donations	22,809	21,015	25,035	4,020
Other	68,185	47,355	74,840	27,485
<i>Total Revenues</i>	<u>5,009,600</u>	<u>5,009,600</u>	<u>5,498,579</u>	<u>488,979</u>
Expenditures				
Current:				
General Government	2,360,885	2,348,585	2,084,417	264,168
Security of Persons and Property	2,468,417	2,458,400	2,326,817	131,583
Public Health	281,563	284,081	254,752	29,329
Leisure Time Services	803,103	800,307	721,716	78,591
Transportation	51,350	51,378	32,819	18,559
Capital Outlay	64,122	78,974	33,050	45,924
<i>Total Expenditures</i>	<u>6,029,440</u>	<u>6,021,725</u>	<u>5,453,571</u>	<u>568,154</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,019,840)</u>	<u>(1,012,125)</u>	<u>45,008</u>	<u>1,057,133</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	725	725
Transfers Out	(82,500)	(82,500)	(7,564)	74,936
<i>Total Other Financing Sources (Uses)</i>	<u>(82,500)</u>	<u>(82,500)</u>	<u>(6,839)</u>	<u>75,661</u>
<i>Net Change in Fund Balance</i>	<u>(1,102,340)</u>	<u>(1,094,625)</u>	<u>38,169</u>	<u>1,132,794</u>
<i>Fund Balance Beginning of Year</i>	1,597,045	1,597,045	1,597,045	0
Prior Year Encumbrances Appropriated	56,381	56,381	56,381	0
<i>Fund Balance End of Year</i>	<u>\$ 551,086</u>	<u>\$ 558,801</u>	<u>\$ 1,691,595</u>	<u>\$ 1,132,794</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance and Repair Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income Taxes	\$ 701,312	\$ 650,000	\$ 667,023	\$ 17,023
Intergovernmental	748,400	750,000	711,809	(38,191)
Interest	5	0	5	5
Other	25,282	0	24,046	24,046
<i>Total Revenues</i>	<u>1,474,999</u>	<u>1,400,000</u>	<u>1,402,883</u>	<u>2,883</u>
Expenditures				
Current:				
Transportation	1,503,329	1,501,333	1,197,912	303,421
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(28,330)</u>	<u>(101,333)</u>	<u>204,971</u>	<u>306,304</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	2,115	2,115
Transfers In	0	75,000	0	(75,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>75,000</u>	<u>2,115</u>	<u>(72,885)</u>
<i>Net Change in Fund Balance</i>	(28,330)	(26,333)	207,086	233,419
<i>Fund Balance Beginning of Year</i>	2,342	2,342	2,342	0
Prior Year Encumbrances Appropriated	28,525	28,525	28,525	0
<i>Fund Balance End of Year</i>	<u>\$ 2,537</u>	<u>\$ 4,534</u>	<u>\$ 237,953</u>	<u>\$ 233,419</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Operation Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income Taxes	\$ 2,206,294	\$ 2,300,000	\$ 2,384,139	\$ 84,139
Intergovernmental	28,728	0	31,044	31,044
Other	64,978	0	70,216	70,216
<i>Total Revenues</i>	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,485,399</u>	<u>185,399</u>
Expenditures				
Current:				
Security of Persons and Property	2,404,480	2,474,771	2,186,179	288,592
Capital Outlay	154,878	94,878	92,766	2,112
<i>Total Expenditures</i>	<u>2,559,358</u>	<u>2,569,649</u>	<u>2,278,945</u>	<u>290,704</u>
<i>Net Change in Fund Balance</i>	(259,358)	(269,649)	206,454	476,103
<i>Fund Balance Beginning of Year</i>	321,485	321,485	321,485	0
Prior Year Encumbrances Appropriated	6,774	6,774	6,774	0
<i>Fund Balance End of Year</i>	<u>\$ 68,901</u>	<u>\$ 58,610</u>	<u>\$ 534,713</u>	<u>\$ 476,103</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIP/CDBG Grant Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 135,538	\$ (364,462)
Expenditures				
Current:				
Community Development	561,230	561,230	208,112	353,118
<i>Net Change in Fund Balance</i>	(61,230)	(61,230)	(72,574)	11,344
<i>Fund Balance Beginning of Year</i>	14,417	14,417	14,417	0
Prior Year Encumbrances Appropriated	61,230	61,230	61,230	0
<i>Fund Balance End of Year</i>	<u>\$ 14,417</u>	<u>\$ 14,417</u>	<u>\$ 3,073</u>	<u>\$ 11,344</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 1,788,282	\$ 1,461,052	\$ 631,655	\$ 3,880,989
Accounts Receivable	351,525	370,373	0	721,898
Intergovernmental Receivable	0	0	4,739	4,739
Materials and Supplies Inventory	370,503	6,245	7,318	384,066
<i>Total Current Assets</i>	<u>2,510,310</u>	<u>1,837,670</u>	<u>643,712</u>	<u>4,991,692</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	74,463	35,054	9,993	119,510
Depreciable Capital Assets, Net	8,844,006	10,712,183	364,429	19,920,618
<i>Total Non-Current Assets</i>	<u>8,918,469</u>	<u>10,747,237</u>	<u>374,422</u>	<u>20,040,128</u>
<i>Total Assets</i>	<u>11,428,779</u>	<u>12,584,907</u>	<u>1,018,134</u>	<u>25,031,820</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	37,246	9,512	29,248	76,006
Accrued Wages	22,374	12,997	10,160	45,531
Contracts Payable	62,606	0	0	62,606
Intergovernmental Payable	29,110	20,500	16,298	65,908
Accrued Vacation Leave Payable	32,805	9,540	6,918	49,263
Accrued Interest Payable	0	25,678	0	25,678
Compensated Absences Payable	18,215	14,555	7,428	40,198
OPWC Loans Payable	5,000	21,539	0	26,539
OWDA Loans Payable	0	570,972	0	570,972
<i>Total Current Liabilities</i>	<u>207,356</u>	<u>685,293</u>	<u>70,052</u>	<u>962,701</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	80,376	47,879	21,139	149,394
OPWC Loans Payable - Net of Current Portion	50,000	183,084	0	233,084
OWDA Loans Payable - Net of Current Portion	0	5,164,205	0	5,164,205
<i>Total Long-Term Liabilities</i>	<u>130,376</u>	<u>5,395,168</u>	<u>21,139</u>	<u>5,546,683</u>
<i>Total Liabilities</i>	<u>337,732</u>	<u>6,080,461</u>	<u>91,191</u>	<u>6,509,384</u>
Net Position				
Net Investment in Capital Assets	8,800,863	5,548,047	374,422	14,723,332
Unrestricted	2,290,184	956,399	552,521	3,799,104
<i>Total Net Position</i>	<u>\$ 11,091,047</u>	<u>\$ 6,504,446</u>	<u>\$ 926,943</u>	<u>\$ 18,522,436</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating Revenues				
Charges for Services	\$ 2,358,153	\$ 2,418,217	\$ 1,424,150	\$ 6,200,520
Other	45,153	13,391	15,678	74,222
<i>Total Operating Revenues</i>	<u>2,403,306</u>	<u>2,431,608</u>	<u>1,439,828</u>	<u>6,274,742</u>
Operating Expenses				
Salaries and Wages	803,517	607,803	599,846	2,011,166
Fringe Benefits	456,107	307,992	244,611	1,008,710
Contractual Services	465,826	467,728	469,762	1,403,316
Materials and Supplies	521,779	123,639	130,808	776,226
Depreciation	454,902	501,205	52,389	1,008,496
<i>Total Operating Expenses</i>	<u>2,702,131</u>	<u>2,008,367</u>	<u>1,497,416</u>	<u>6,207,914</u>
<i>Operating Income (Loss)</i>	<u>(298,825)</u>	<u>423,241</u>	<u>(57,588)</u>	<u>66,828</u>
Non-Operating Revenues (Expense)				
Intergovernmental	0	0	18,533	18,533
Gain on Sale of Capital Assets	482	0	0	482
Loss on Sale of Capital Assets	0	(315)	(1,839)	(2,154)
Interest and Fiscal Charges	0	(50,853)	0	(50,853)
<i>Total Non-Operating Revenues (Expense)</i>	<u>482</u>	<u>(51,168)</u>	<u>16,694</u>	<u>(33,992)</u>
<i>Income (Loss) Before Contributions and Transfers</i>	<u>(298,343)</u>	<u>372,073</u>	<u>(40,894)</u>	<u>32,836</u>
Capital Contributions	5,012	0	0	5,012
Transfers Out	(10,000)	(162,719)	0	(172,719)
<i>Change in Net Position</i>	<u>(303,331)</u>	<u>209,354</u>	<u>(40,894)</u>	<u>(134,871)</u>
<i>Net Position Beginning of Year</i>	<u>11,394,378</u>	<u>6,295,092</u>	<u>967,837</u>	<u>18,657,307</u>
<i>Net Position End of Year</i>	<u>\$ 11,091,047</u>	<u>\$ 6,504,446</u>	<u>\$ 926,943</u>	<u>\$ 18,522,436</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,343,482	\$ 2,401,432	\$ 1,424,150	\$ 6,169,064
Cash Received from Other Operating Receipts	45,153	13,391	15,678	74,222
Cash Payments to Suppliers for Goods and Services	(504,232)	(119,627)	(131,014)	(754,873)
Cash Payments to Employees for Services and Benefits	(1,293,723)	(960,881)	(857,941)	(3,112,545)
Cash Payments for Contractual Services	(457,120)	(478,557)	(471,686)	(1,407,363)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>133,560</u>	<u>855,758</u>	<u>(20,813)</u>	<u>968,505</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	0	0	17,752	17,752
Principal Payments on Debt	0	(82,290)	0	(82,290)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>0</u>	<u>(82,290)</u>	<u>17,752</u>	<u>(64,538)</u>
Cash Flows from Capital and Related Financing Activities				
Capital Grants	0	37,600	0	37,600
Proceeds of OWDA Loan	0	188,358	0	188,358
Payment for Capital Acquisitions	(29,200)	(318,044)	0	(347,244)
Proceeds from Sale of Capital Assets	1,850	0	0	1,850
Principal Payments on Debt	(5,000)	(497,029)	0	(502,029)
Interest Payments on Debt	0	(41,925)	0	(41,925)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(32,350)</u>	<u>(631,040)</u>	<u>0</u>	<u>(663,390)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	101,210	142,428	(3,061)	240,577
<i>Cash and Investments Beginning of Year</i>	1,687,072	1,318,624	634,716	3,640,412
<i>Cash and Investments End of Year</i>	<u>\$ 1,788,282</u>	<u>\$ 1,461,052</u>	<u>\$ 631,655</u>	<u>\$ 3,880,989</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ (298,825)	\$ 423,241	\$ (57,588)	\$ 66,828
Adjustments:				
Depreciation	454,902	501,205	52,389	1,008,496
(Increase) Decrease in Assets:				
Accounts Receivable	(14,671)	(16,785)	0	(31,456)
Materials and Supplies Inventory	10,956	2,501	(206)	13,251
Increase (Decrease) in Liabilities:				
Accounts Payable	15,297	(9,318)	(1,924)	4,055
Accrued Wages	2,930	(3,117)	317	130
Accrued Vacation Leave Payable	(10,594)	(6,230)	(910)	(17,734)
Compensated Absences Payable	(23,011)	(30,425)	(8,948)	(62,384)
Intergovernmental Payable	(3,424)	(5,314)	(3,943)	(12,681)
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 133,560</u>	<u>\$ 855,758</u>	<u>\$ (20,813)</u>	<u>\$ 968,505</u>

See accompanying notes to the basic financial statements.

Noncash Capital Financing Activities:

The water fund and sewer fund purchased capital assets in the amount of \$10,000 and \$162,719, respectively, for the governmental activities in 2014.

Governmental activities purchased capital assets in the amount of \$5,012 for the water fund in 2014.

The City purchased \$62,606 and \$118,494 of capital assets on account in 2014 and 2013, respectively.

City of New Philadelphia
Tuscarawas County, Ohio
Statement of Fiduciary Net Position
Agency Funds
December 31, 2014

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Investments	\$ 50,106
Cash and Investments in Segregated Accounts	400,495
Accounts Receivable	<u>1,870</u>
<i>Total Assets</i>	<u><u>\$ 452,471</u></u>
Liabilities	
Undistributed Monies	<u><u>\$ 452,471</u></u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2014

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*.

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.

New Philadelphia Airport and New Philadelphia City School District have been excluded from the accompanying basic financial statements. Both are legally separate from the City. Neither imposes a financial burden nor provides a financial benefit to the City. The City cannot significantly influence the operations of these entities.

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 17). 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)

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

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

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

Street Maintenance and Repair Fund The street maintenance and repair fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

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

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

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, 2014

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 total 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, 2014

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources A deferred inflow of resources is an acquisition of assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

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

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

E. Pooled Cash and Investments

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

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

During 2014, investments were limited to STAR Plus, a mutual fund, money market account and CDARs.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

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 during 2014 amounted to \$17,444, which includes \$10,748 assigned from other City funds.

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

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

F. Materials and Supplies Inventory

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

G. Capital Assets

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

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 fair market 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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

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
Building and Building Improvements	30-40 Years	30-40 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	42-50 Years	42-50 Years

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

H. Compensated Absences

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

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

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

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

I. Accrued Liabilities and Long-Term Obligations

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

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

J. 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. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

K. Fund Balance

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

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

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

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

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.

L. 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.

M. 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.

N. 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.

City of New Philadelphia
Tuscarawas County, Ohio
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O. 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.

P. 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.

Q. 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.

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

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

R. Implementation of New Accounting Principles

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

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

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

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

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

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

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund, the street maintenance and repair fund, the safety forces operation major special revenue fund and the CHIP/CDBG grant special revenue fund.

Net Change in Fund Balance

	General	Street Maintenance and Repair	Safety Forces Operation	CHIP/CDBG Grant
GAAP Basis	\$ 15,675	\$ 364,837	\$ 342,092	\$ 13,941
Revenue Accruals	204,515	(20,569)	(49,499)	(101,030)
Expenditure Accruals	(48,058)	(126,959)	(32,745)	14,515
Funds Budgeted Elsewhere	(82,172) **	0	0	0
Encumbrances	(51,791)	(10,223)	(53,394)	0
Budget Basis	<u>\$ 38,169</u>	<u>\$ 207,086</u>	<u>\$ 206,454</u>	<u>\$ (72,574)</u>

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

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

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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 (STAROhio and STAR Plus).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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Deposits with Financial Institutions

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

At year-end, the carrying amount of the City's deposits was \$7,710,206, which includes \$300 cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2014, \$3,659,777 of the City's bank balance of \$8,043,448 was exposed to custodial risk as discussed above, was uninsured and uncollateralized, while \$4,383,671 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$2,643,825 held in a STAR Plus account.

Investments

As of December 31, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>	<u>Percent of Total</u>
Government and Agency Mutual Fund	\$ 1,511,422	\$ 1,511,422	93.90%
Huntington National Bank Trust	98,131	98,131	6.10%
	<u>\$ 1,609,553</u>	<u>\$ 1,609,553</u>	<u>100.00%</u>

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

Credit Risk Huntington National Bank carries a rating of BBB+ by Standard and Poor's.

Concentration of Credit Risk The table above includes the percentage to total of each investment type held by the City at December 31, 2014.

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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 2014 for real and public utility property taxes represents collections of the 2013 taxes.

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 307,880,240
Public Utilities - Real	34,620
Public Utilities - Personal	9,631,600
 Total Assessed Value	 \$ 317,546,460

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, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 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, 2014 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.

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NOTE 7: INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Effective July 1, 2005, the electors approved the one-half (1/2) percent to be used for safety forces operations. The remaining one percent provides for general municipal operations. The street lighting special revenue fund and income tax administration fund receive an allocation from the income tax that is established annually by Council. For 2014, the balance was allocated 67 percent to the general fund, 16 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. Beginning January 2015, the balance allocated to the general fund decreased to 47 percent and 20 percent was allocated to the master capital capital projects fund.

NOTE 8: CAPITAL ASSETS

A summary of changes in capital assets during 2014 follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 816,583	\$ 250,000	\$ 0	\$ 1,066,583
Construction in progress	1,243,009	1,750,793	(1,436,240)	1,557,562
<i>Total Capital Assets Not Being Depreciated</i>	<u>2,059,592</u>	<u>2,000,793</u>	<u>(1,436,240)</u>	<u>2,624,145</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Building Improvements	7,451,213	40,808	0	7,492,021
Improvements Other than Buildings	5,273,239	0	0	5,273,239
Machinery and Equipment	5,241,602	201,946	(171,269)	5,272,279
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	4,290,120	116,909	(9,928)	4,397,101
Infrastructure	28,257,971	1,558,831	0	29,816,802
<i>Total Capital Assets, Being Depreciated</i>	<u>50,624,236</u>	<u>1,918,494</u>	<u>(181,197)</u>	<u>52,361,533</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(3,788,160)	(165,819)	0	(3,953,979)
Improvements Other than Buildings	(2,452,611)	(143,203)	0	(2,595,814)
Machinery and Equipment	(2,955,278)	(237,806)	24,470	(3,168,614)
Furniture and Fixtures	(96,238)	(1,713)	0	(97,951)
Vehicles	(2,420,318)	(179,811)	9,432	(2,590,697)
Infrastructure	(13,954,423)	(786,482)	0	(14,740,905)
<i>Total Accumulated Depreciation</i>	<u>(25,667,028)</u>	<u>(1,514,834) *</u>	<u>33,902</u>	<u>(27,147,960)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>24,957,208</u>	<u>403,660</u>	<u>(147,295)</u>	<u>25,213,573</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$27,016,800</u>	<u>\$ 2,404,453</u>	<u>\$(1,583,535)</u>	<u>\$27,837,718</u>

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*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 58,613
Leisure Time Services	193,371
Public Health	22,100
Security of Persons and Property	228,591
Transportation	915,485
Community and Economic Development	96,674
Total	\$ 1,514,834

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 51,892	\$ 0	\$ 0	\$ 51,892
Construction in progress	123,902	94,008	(150,292)	67,618
Total Capital Assets Not Being Depreciated	175,794	94,008	(150,292)	119,510
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Building Improvements	9,192,619	0	0	9,192,619
Improvements Other than Buildings	6,883,252	0	0	6,883,252
Machinery and Equipment	5,005,473	0	0	5,005,473
Furniture and Fixtures	20,554	0	0	20,554
Vehicles	2,154,794	29,641	(70,442)	2,113,993
Sewer Lines	6,722,841	150,292	0	6,873,133
Water Lines	14,642,976	0	0	14,642,976
Total Capital Assets, Being Depreciated	44,622,509	179,933	(70,442)	44,732,000
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(5,239,832)	(216,804)	0	(5,456,636)
Improvements Other than Buildings	(2,328,902)	(210,215)	0	(2,539,117)
Machinery and Equipment	(4,121,886)	(68,750)	0	(4,190,636)
Furniture and Fixtures	(19,526)	0	0	(19,526)
Vehicles	(1,458,494)	(101,976)	66,920	(1,493,550)
Sewer Lines	(2,830,189)	(114,736)	0	(2,944,925)
Water Lines	(7,870,977)	(296,015)	0	(8,166,992)
Total Accumulated Depreciation	(23,869,806)	(1,008,496)	66,920	(24,811,382)
Total Capital Assets Being Depreciated, Net	20,752,703	(828,563)	(3,522)	19,920,618
Total Business-Type Activities Capital Assets, Net	\$ 20,928,497	\$ (734,555)	\$ (153,814)	\$ 20,040,128

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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 2014, the City contracted with several companies for various types of insurance as follows:

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

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

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

A. Ohio Public Employees Retirement System

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

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

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

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

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

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$515,649, \$519,569, and \$483,098, respectively. For 2014, 100 percent has been contributed. The full amount has been contributed for 2013 and 2012. Contributions made to the Member-Directed Plan for 2014 were \$24,823 made by the City and \$17,731 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$148,904 and \$243,289 for the year ended December 31, 2014, \$153,488 and \$235,654 for the year ended December 31, 2013, and \$151,171 and \$224,773 for the year ended December 31, 2012, respectively. 100 percent for police and firefighters has been contributed for 2014. The full amount has been contributed for 2013 and 2012.

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NOTE 11: POSTEMPLOYMENT BENEFITS

A. *Ohio Public Employees Retirement System*

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

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

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

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

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

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

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

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

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$206,260, \$207,828 and \$193,239, respectively. For 2014, 100 percent has been contributed. The full amount has been contributed for 2013 and 2012.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

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

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$78,831 and \$95,200 for the year ended December 31, 2014, \$81,258 and \$92,213 for the year ended December 31, 2013, and \$80,032 and \$87,955 for the year ended December 31, 2012. 100 percent has been contributed for police and for firefighters for 2014. The full amount has been contributed for 2013 and 2012.

NOTE 12: OTHER EMPLOYEE BENEFITS

A. *Additional Insurance*

The City contracts with AultCare for major medical insurance, Vision Service Plan for vision insurance for all full-time employees, and AFSCME Care Plan for full-time AFSCME union employees. The City pays \$2.36 for single eye care, \$5.34 for family eye care and \$26.00 for dental insurance premiums. Employees have a choice of 2 health care plans:

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

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

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

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 6.44 hours for every 112 hours of service for firefighters. Sick leave accumulation is limited based on years of service and is paid upon retirement. As of December 31, 2014, the total liability for unpaid compensated absences was \$1,179,662.

NOTE 13: LONG-TERM OBLIGATIONS

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities			
City Improvement Refunding Bonds - 2013	1.0-2.1	\$ 1,545,000	December 1, 2021
Ohio Department of Transportation Loan - 2014	3.00	352,000	July 1, 2024
Commercial Real Estate Purchase Agreement - 2014	0.00	250,000	October 1, 2017
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 Water Development Water Authority - 2001	0.20	8,238,264	July 1, 2023
Ohio Water Development Water Authority - 2002	0.00	1,645,800	July 1, 2023
Ohio Water Development Water Authority - 2003	3.53	875,008	July 1, 2023
Ohio Water Development Water Authority - 2005	4.25	211,630	July 1, 2030
Ohio Water Development Water Authority - 2013	3.29	634,069	January 1, 2034

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

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

	Amount Outstanding 12/31/2013	Additions	(Reductions)	Amount Outstanding 12/31/2014	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
Refunding Bonds	\$ 1,405,000	\$ 0	\$ (170,000)	\$ 1,235,000	\$ 170,000
Loans					
Ohio Department of Transportation	0	352,000	0	352,000	0
Land Purchase	0	250,000	(62,500)	187,500	62,500
Total Loans	0	602,000	(62,500)	539,500	62,500
Compensated Absences	1,259,566	259,978	(529,474)	990,070	419,597
Total Governmental Activities	\$ 2,664,566	\$ 861,978	\$ (761,974)	\$ 2,764,570	\$ 652,097
Business-Type Activities					
OPWC Loans					
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	\$ 183,750	\$ 0	\$ (17,500)	\$ 166,250	\$ 17,500
Ohio Public Works Commission Loan - Clearwell	60,000	0	(5,000)	55,000	5,000
Ohio Public Works Commission - Bluebell Pump Station	42,412	0	(4,039)	38,373	4,039
Total OPWC Loans	286,162	0	(26,539)	259,623	26,539
OWDA Loans					
Ohio Water Development Authority Loan - Sewer Plant Expansion and Upgrade	4,160,301	0	(412,298)	3,748,003	413,123
Ohio Water Development Authority Loan - Bass Lake Project	822,900	0	(82,290)	740,610	82,290
Ohio Water Development Authority Loan - Waste Water Treatment Plant Improvements	508,828	0	(45,000)	463,828	45,183
Ohio Water Development Authority Loan - Sewer Loan	166,162	0	(6,836)	159,326	7,129
Ohio Water Development Authority Loan - 5 Points Storm Sewer	446,408	188,358	(11,356)	623,410	23,247
Total OWDA Loans	6,104,599	188,358	(557,780)	5,735,177	570,972
Compensated Absences	251,976	19,088	(81,472)	189,592	40,198
Total Business-Type Activities	\$ 6,642,737	\$ 207,446	\$ (665,791)	\$ 6,184,392	\$ 637,709

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$5,994,800 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 57.9 percent. The total principal and interest remaining to be paid on the loans is \$6,400,988. Principal and interest paid for the current year and total net revenues were \$626,244 and \$1,081,005, respectively.

In 2001, the City entered into an agreement with the Ohio Water Development Authority (OWDA) for a large sewer plant expansion and upgrade project. The total amount authorized for this loan was \$8,238,264, and as of December 31, 2014, the City had drawn \$8,229,699. The City began repaying the loan in 2004.

In 2003, The City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$875,008. The proceeds of this loan were used for improvements to the waste water treatment plant. As of December 31, 2014, the City had drawn down \$870,558.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

In 2002, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$1,645,800. The proceeds of this loan were used by Geauga County to purchase and protect wetlands for a Bass Lake project in Geauga County. The City entered into this loan agreement in exchange for a drastically reduced interest rate on other OWDA debt.

In 2003, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$350,000. The proceeds of this loan were used for improvements to the waste water treatment plant. As of December 31, 2014, the City had drawn down the entire amount of the loan.

In 2004, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$100,000. The proceeds of this loan were used for improvements to the waste water treatment plant. As of December 31, 2014, the City had drawn down the entire amount of the loan.

In 2005, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$211,630. The proceeds of this loan were used for rehabilitation and replacement of deteriorated sanitary sewers. As of December 31, 2014, the City had drawn down the entire amount of the loan.

In 2008, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$60,591. The proceeds of this loan were used for improvements to the Bluebell Drive Pump Station. As of December 31, 2014, the City had drawn down the entire amount of the loan.

In 2013, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$634,069. The proceeds of this loan were used for the storm sewer improvement at the Five Points intersection. As of December 31, 2014, the City had drawn down the entire amount of the loan.

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. The balance of the defeased debt at December 31, 2014 was \$1,215,000.

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 on the prior year financial statements.

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.

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

On June 21, 2014, the City entered into a commercial real estate purchase agreement for several parcels of land at \$250,000 with zero percent interest for the purpose of constructing a new fire station. Annual payments of \$62,500 will be made, which commenced on October 1, 2014, with final payment due October 1, 2017. Payments are being made from the master capital fund.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from franchise fees that will be received in and retired from the debt service funds.

Compensated absences will be paid from general operating revenues of the fund from which the employees' salaries are paid.

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

	General		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 170,000	\$ 21,880	\$ 62,500	\$ 0	\$ 232,500	\$ 21,880
2016	170,000	18,905	62,500	0	232,500	18,905
2017	175,000	15,893	102,053	10,266	277,053	26,159
2018	175,000	12,830	40,749	9,070	215,749	21,900
2019	185,000	9,230	41,980	7,838	226,980	17,068
2020-2024	360,000	7,470	229,718	19,375	589,718	26,845
	<u>\$ 1,235,000</u>	<u>\$ 86,208</u>	<u>\$ 539,500</u>	<u>\$ 46,549</u>	<u>\$ 1,774,500</u>	<u>\$ 132,757</u>

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

	Ohio Public Works		Ohio Water		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 26,539	\$ 0	\$ 570,972	\$ 50,491	\$ 597,511	\$ 50,491
2016	26,539	0	574,485	46,977	601,024	46,977
2017	26,539	0	578,095	43,367	604,634	43,367
2018	26,539	0	581,808	39,654	608,347	39,654
2019	26,539	0	585,624	35,838	612,163	35,838
2020-2024	121,928	0	2,420,031	118,551	2,541,959	118,551
2025-2029	5,000	0	231,283	55,684	236,283	55,684
2030-2034	0	0	192,879	15,626	192,879	15,626
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 259,623</u>	<u>\$ 0</u>	<u>\$ 5,735,177</u>	<u>\$ 406,188</u>	<u>\$ 5,994,800</u>	<u>\$ 406,188</u>

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

NOTE 14: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		
	<u>General</u>	<u>Cemetery Endowment</u>	<u>Total</u>
Cemetery	\$ 0	\$ 1,827	\$ 1,827
Sidewalk Improvement	7,564	0	7,564
<i>Total</i>	<u>\$ 7,564</u>	<u>\$ 1,827</u>	<u>\$ 9,391</u>

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

Construction in progress activity in the amount of \$5,012 was transferred from governmental activities to business-type activities. This reflects the amount that the master capital fund spent on the North Broadway/Wabash Avenue waterline replacement construction project in 2014. Capital assets in the amount of \$162,719 and \$10,000 were transferred from the sewer fund and water fund, respectively, to governmental activities.

NOTE 15: SIGNIFICANT COMMITMENTS

A. *Contractual Commitments*

As of December 31, 2014, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2014</u>
N Broadway & Wabash waterline replacement	<u>\$ 76,020</u>	<u>\$ 62,606</u>	<u>\$ 13,414</u>

B. *Other Commitments*

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

<u>Fund</u>	<u>Amount</u>
General	\$ 53,441
Street Maintenance and Repair	9,673
Safety Forces Operation	53,003
Other Governmental Funds	<u>15,478</u>
Totals	<u>\$ 131,595</u>

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

NOTE 16: FUND BALANCE

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

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

	General Fund	Street Maintenance and Repair	Safety Forces Operation	CHIP/CDBG Grant	Other Governmental	Total
Nonspendable for:						
Inventory	\$ 78,814	\$ 201,450	\$ 0	\$ 0	\$ 0	\$ 280,264
Unclaimed Monies	23,976	0	0	0	0	23,976
Total Nonspendable	102,790	201,450	0	0	0	304,240
Restricted for:						
Public Safety and Law Enforcement	0	0	873,774	0	309,878	1,183,652
Street Maintenance Cemetery	0	459,679	0	0	158,340	618,019
Municipal Court	0	0	0	0	707,347	707,347
Community Development	0	0	0	88,604	35,040	123,644
Capital Outlay	0	0	0	0	640,196	640,196
Park	0	0	0	0	5,832	5,832
Total Restricted	0	459,679	873,774	88,604	2,408,601	3,830,658
Committed for:						
Fire and Ambulance	0	0	0	0	312,790	312,790
Public Health	0	0	0	0	24,978	24,978
Debt Service	0	0	0	0	71,477	71,477
Other Purposes	0	0	0	0	9,196	9,196
Total Committed	0	0	0	0	418,441	418,441
Assigned:						
Encumbrances						
General Government	29,246	0	0	0	0	29,246
Security of Persons and Property	8,567	0	0	0	0	8,567
Transportation	6,862	0	0	0	0	6,862
Public Health	3,062	0	0	0	0	3,062
Leisure Time Activities	5,704	0	0	0	0	5,704
Subsequent Year Appropriations	850,896	0	0	0	0	850,896
Total Assigned	904,337	0	0	0	0	904,337
Unassigned	1,410,979	0	0	0	0	1,410,979
Total Fund Balance	<u>\$ 2,418,106</u>	<u>\$ 661,129</u>	<u>\$ 873,774</u>	<u>\$ 88,604</u>	<u>\$ 2,827,042</u>	<u>\$ 6,868,655</u>

City of New Philadelphia
Tuscarawas County, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2014

NOTE 17: 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 Gnadenuhthen. 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 2014, 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 2014, 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 2014, OMEGA received \$2,593 from the City for an annual fee. The continued existence of OMEGA is not dependent on the City’s continued participation and no equity interest exists. OMEGA has no outstanding debts.

D. Tax Incentive Revenue Council (TIRC)

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2014, 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, 2014

NOTE 18: 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, 2014.

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.

June 4, 2015

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 4, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2014-001, that we consider to be a significant deficiency.

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

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hea & Associates, Inc.

New Philadelphia, Ohio

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

Finding Number: 2014-001
Significant Deficiency –
Information Technology – General Internal Controls

Criteria: Internal controls over information technology and systems are crucial to the City’s operations and financial reporting. The internal control framework of the City should properly address the following areas:

- **Disaster Recovery Plans** - A well-defined, written disaster recovery plan is vital to ensuring the City can maintain seamless operations even in the event of a disaster. An essential element of proper Disaster Recovery/Business Continuity Plan is to periodically test the plan to ensure the viability and functionality of the plan. A key component of the Disaster Recovery/Business Continuity Plan is the backup of all key City information systems. To ensure the accuracy and reliability of the media backups periodic testing of the backups should be performed and documented.
- **Technology Equipment Inventory** - An important aspect of the internal controls over safeguarding City assets is maintaining an up to date inventory of all City owned computer equipment.
- **Computer/System Access Controls** – Internal controls over the access to computers and systems is vital to the security of your computer systems as well as securing sensitive information.

Condition: During our testing, we noted control deficiencies related to the City’s information systems as follows:

- The City has not adopted a formal disaster recovery plan which identifies the procedures to be performed in the event that the City experiences an emergency disallowing the processing of information. Without documented disaster recovery procedures, the City could incur substantial costs in attempting to retrieve and recreate pertinent financial information.
- The City currently has no procedures in place to track information technology equipment.
- Users’ active directory login password does not expire causing it to always be the same unless the user decides he or she wants to change the password. This creates a scenario where an individual could become familiar with another user’s username and login and gain unauthorized access.

Cause: Due to budget constraints and limitations in staffing, information technology is one area that has not been properly addressed for several years.

City of New Philadelphia
Tuscarawas County, Ohio
Schedule of Findings (Continued)
December 31, 2014

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</p>

FINDING 2014-001 (Continued)
Significant Deficiency –
Information Technology – General Internal Controls

Potential Effect: The potential effects of each respective control deficiency noted above are as follows:

- Failure to have a documented disaster recovery plan in place could result in a significant loss of data in the event of a disaster. A significant loss of data in the event of a disaster would result in an extensive amount of time and resources required to recreate the lost data. This would also result in a significant delay in performing normal operating functions of the City after the disaster event.
- Without procedures in place to properly tag and track technology equipment there is a risk that equipment could be lost or stolen without City management being aware of it. Also, without proper tracking procedures, it will be difficult for the City to establish a replacement schedule for equipment and budget accordingly.
- Failure to limit and properly authorize access to the City servers could pose a significant security risk. This type of security risk could result in server credentials being used to gain access to the City domain for malicious activity.

Recommendation: The recommendations for the respective control deficiencies noted above are as follows:

- We recommend the City formally adopt a disaster recovery plan to be utilized in the event of a disaster or hardware failure. In addition, we recommend the City establish procedures to test the backup data that will be used for data recovery purposes. In order for a disaster recovery plan to be effective, it is pertinent that testing of the backup data occur routinely to determine the validity of the data for recovery purposes.
- We recommend the City establish procedures to tag, assign and track all technology equipment. We also recommend the City consider performing a physical inventory once a year to ensure all equipment is properly accounted for.
- We recommend the City implement procedures to ensure access to the City servers is properly authorized, properly limited, and timely terminated.

Management Response: The City is currently getting bids for off-site storage, and a disaster plan will follow. The City has already begun our technology equipment inventory.

City of New Philadelphia
Tuscarawas County, Ohio
Schedule of Prior Audit Findings
December 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2013-001	Ineffective cash management practices related to CDBG grant	No	Partially corrected, repeated as a verbal comment

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Dave Yost • Auditor of State

CITY OF NEW PHILADELPHIA

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2015**