



Rea & associates *a brighter way*

# City of New Philadelphia Tuscarawas County, Ohio

## *Audited Financial Statements*

For the Year Ended  
December 31, 2018



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPARepoort@ohioauditor.gov  
(800) 282-0370

City Council  
City of New Philadelphia  
150 E. High Ave Ste 19  
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, 2018 through December 31, 2018. 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 "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

August 14, 2019



**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*December 31, 2018*  
*Table of Contents*

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*December 31, 2018*  
*Table of Contents (Continued)*

	<i>Page</i>
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability .....	73
Schedule of City Contributions - Pension .....	74
Schedule of the City’s Proportionate Share of the Net OPEB Liability .....	77
Schedule of City Contributions - OPEB .....	78
Notes to the Required Supplementary Information.....	80
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	81
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	83
Schedule of Expenditures of Federal Awards .....	86
Notes to the Schedule of Expenditures of Federal Awards .....	87
Schedule of Findings and Questioned Costs .....	88
Corrective Action Plan .....	90

June 28, 2019

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the safety forces operation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 2, the City restated the net position balances to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

This page intentionally left blank.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

---

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, 2018. 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 2018 are as follows:

- In total, net position decreased \$2,081,772, which represents a 7 percent decrease from 2017 restated balances. Net position of governmental activities decreased \$2,233,152 and the net position of business-type activities increased \$151,380.
- Total capital assets decreased \$719,073 during 2018. Capital assets of governmental activities decreased \$437,078 and capital assets of business-type activities decreased \$281,995.
- Outstanding debt decreased from \$10,717,764 to \$10,233,302.
- The City implemented GASB 75, which reduced beginning net position as previously reported by \$9,295,673 and \$1,513,662 for governmental and business-type activities, respectively.

***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 2018 and how they affected the operations of the City as a whole.

***Reporting the City of New Philadelphia as a Whole***

*Statement of Net Position and the Statement of Activities*

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

---

A question typically asked about the City's finances "How did we do financially during 2018?" 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 and safety forces operation fund.

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

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

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

**The City of New Philadelphia as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017:

**Table 1**  
**Net Position**

	Governmental Activities			Business-Type Activities		
	2018	Restated 2017	Change	2018	Restated 2017	Change
<b>Assets</b>						
Current and Other Assets	\$ 10,698,283	\$ 11,486,365	\$ (788,082)	\$ 5,790,892	\$ 5,246,318	\$ 544,574
Capital Assets	33,043,512	33,480,590	(437,078)	17,753,352	18,035,347	(281,995)
<i>Total Assets</i>	<u>43,741,795</u>	<u>44,966,955</u>	<u>(1,225,160)</u>	<u>23,544,244</u>	<u>23,281,665</u>	<u>262,579</u>
<b>Deferred Outflows of Resources</b>						
Pension & OPEB	5,039,561	3,913,812	1,125,749	759,775	1,464,969	(705,194)
<i>Total Deferred Outflows of Resources</i>	<u>5,039,561</u>	<u>3,913,812</u>	<u>1,125,749</u>	<u>759,775</u>	<u>1,464,969</u>	<u>(705,194)</u>
<b>Liabilities</b>						
Current and Other Liabilities	623,853	1,625,177	(1,001,324)	217,997	223,393	(5,396)
Long-Term Liabilities:						
Due within One Year	960,808	980,547	(19,739)	760,685	770,317	(9,632)
Due in More Than One Year:						
Net Pension Liability	13,911,659	14,651,026	(739,367)	2,379,626	3,502,597	(1,122,971)
Net OPEB Liability	11,841,171	9,345,409	2,495,762	1,608,581	1,535,332	73,249
Other Amounts	6,625,591	6,736,037	(110,446)	3,528,083	3,801,546	(273,463)
<i>Total Liabilities</i>	<u>33,963,082</u>	<u>33,338,196</u>	<u>624,886</u>	<u>8,494,972</u>	<u>9,833,185</u>	<u>(1,338,213)</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,482,228	1,453,416	28,812	0	0	0
Pension & OPEB	1,719,694	239,651	1,480,043	775,757	31,539	744,218
<i>Total Deferred Inflows of Resources</i>	<u>3,201,922</u>	<u>1,693,067</u>	<u>1,508,855</u>	<u>775,757</u>	<u>31,539</u>	<u>744,218</u>
<b>Net Position</b>						
Net Investment in Capital Assets	26,811,276	26,090,816	720,460	14,107,954	14,179,556	(71,602)
Restricted	6,208,221	7,367,820	(1,159,599)	0	0	0
Unrestricted	(21,403,145)	(19,609,132)	(1,794,013)	925,336	702,354	222,982
<i>Total Net Position</i>	<u>\$ 11,616,352</u>	<u>\$ 13,849,504</u>	<u>\$ (2,233,152)</u>	<u>\$ 15,033,290</u>	<u>\$ 14,881,910</u>	<u>\$ 151,380</u>

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

---

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27*. For 2018, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

---

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

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$23,145,177 to \$13,849,504 for governmental activities and from \$16,395,572 to \$14,881,910 for business-type activities.

At year end, capital assets represented 75 percent of total assets. Capital assets include land, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, infrastructure, water lines, sewer lines, and construction in progress. Capital assets, net of related debt were \$40,919,230 at December 31, 2018, with \$26,811,276 in governmental activities and \$14,107,954 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.

Non-depreciable capital assets increased \$384,763 due to additions to construction in progress and the purchase of 8.95 acres of land for use as a cemetery.

A portion of the City's net position, \$6,208,221 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$20,477,809.

For governmental activities, contracts payable decreased \$983,318 primarily due to the timing of expenditures paid for airport runway rehabilitation project that was completed in 2017.

For business-type activities, the City saw an increase in current and other assets. This was primarily caused by an increase in cash and investments cash provided by operations exceeding capital and related financing activity.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

**Table 2**  
**Changes in Net Position**

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,785,522	\$ 2,543,770	\$ 241,752	\$ 6,844,747	\$ 6,928,942	\$ (84,195)
Operating Grants	1,462,989	1,074,470	388,519	15,442	76,345	(60,903)
Capital Grants	458,321	2,400,063	(1,941,742)	122,675	10,000	112,675
<i>General Revenues:</i>						
Property Taxes	1,501,516	1,490,078	11,438	0	0	0
Income Taxes	8,178,907	7,307,585	871,322	0	0	0
Other Local Taxes	194,000	225,735	(31,735)	0	0	0
Grants and Entitlements	609,412	567,213	42,199	0	0	0
Interest	79,254	76,906	2,348	0	0	0
Other	311,479	171,845	139,634	85,462	64,005	21,457
<i>Total Revenues</i>	<u>15,581,400</u>	<u>15,857,665</u>	<u>(276,265)</u>	<u>7,068,326</u>	<u>7,079,292</u>	<u>(10,966)</u>
<b>Program Expenses</b>						
General Government	4,074,606	4,238,641	(164,035)	0	0	0
Security of Persons and Property	8,038,305	6,964,286	1,074,019	0	0	0
Public Health	1,143,767	995,535	148,232	0	0	0
Leisure Time Services	1,265,476	1,185,767	79,709	0	0	0
Community Development	380,167	121,568	258,599	0	0	0
Transportation	2,756,157	2,386,960	369,197	0	0	0
Interest and Fiscal Charges	188,618	190,786	(2,168)	0	0	0
<i>Enterprise Operations:</i>						
Water	0	0	0	3,063,351	3,089,988	(26,637)
Sewer	0	0	0	2,226,567	2,362,030	(135,463)
Sanitation	0	0	0	1,594,484	1,488,968	105,516
<i>Total Program Expenses</i>	<u>17,847,096</u>	<u>16,083,543</u>	<u>1,763,553</u>	<u>6,884,402</u>	<u>6,940,986</u>	<u>(56,584)</u>
<i>Increase (Decrease) in Net Position</i>	(2,265,696)	(225,878)	(2,039,818)	183,924	138,306	45,618
Transfers	32,544	0	32,544	(32,544)	0	(32,544)
<i>Change in Net Position</i>	(2,233,152)	(225,878)	(2,007,274)	151,380	138,306	13,074
<i>Net Position Beginning of Year</i>	13,849,504	23,371,055	(9,521,551)	14,881,910	16,257,266	(1,375,356)
<i>Restatement - See Note 2</i>	0	(9,295,673)	9,295,673	0	(1,513,662)	1,513,662
<i>Net Position End of Year</i>	<u>\$ 11,616,352</u>	<u>\$ 13,849,504</u>	<u>\$ (2,233,152)</u>	<u>\$ 15,033,290</u>	<u>\$ 14,881,910</u>	<u>\$ 151,380</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$71,406 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$1,214,129. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:



**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

	Governmental Activities	Business-Type Activities
Total 2018 Expenses under GASB 75	\$ 17,847,096	\$ 6,884,402
OPEB Expense under GASB 75	(1,091,256)	(122,873)
2018 Contractually Required Contributions	17,355	0
Adjusted 2018 Expenses	16,773,195	6,761,529
Total 2017 Expenses under GASB 45	16,083,543	6,940,986
Increase/(Decrease) in Expenses not Related to OPEB	<u>\$ 689,652</u>	<u>\$ (179,457)</u>

The City's overall net position decreased \$2,081,772 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities**

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

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 decrease in total governmental revenue in 2018. This was primarily due to decreases in capital grants for the airport runway project which was completed in 2017, partially offset by an increase in community and development operating grants.

The City saw an increase in income tax revenue due to the improving local economy.

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

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

**Business-Type Activities**

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2018, charges for services accounted for 97 percent of the business type revenues. The total expenses for the utilities decreased primarily due to a decrease in fringe benefits as it relates to net pension liability.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

---

***The City's Funds***

***Governmental Funds***

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

The general fund is the chief operating fund of the City. The fund balance of the general fund increased by \$113,913 during the current fiscal year due to an increase in income tax revenue and the reallocation of a portion of franchise fee revenue to the general fund.

The safety forces operation fund, a major fund, had a \$170,145 increase in fund balance due primarily to income tax revenue exceeding expenditures.

***Proprietary Funds***

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

Unrestricted net position of the sanitation fund at the end of the year was \$138,095 and the water fund was \$409,155 and the sewer fund was \$378,086. Total change in net position for these funds was a decrease of \$10,533, a decrease of \$394,408, and increase of \$556,231, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

***General Fund Budgeting Highlights***

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

During the course of 2018, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

***Original Budget Compared to Final Budget*** During the year there was a need to make an amendment to decrease the original estimated revenues and increase original budgeted appropriations. The City amended the income tax revenues estimate as the local economy began to decline. The City also made an amendment to reallocate appropriations to security of persons and property expenditures due to pay increases for police and fire.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

***Final Budget Compared to Actual Results*** There were no significant differences between estimated revenues and actual revenues. Appropriations also had no significant differences between estimated expenditures and actual expenditures.

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

***Capital Assets and Debt Administration***

**Capital Assets**

Table 3 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,621,119	\$ 1,393,115	\$ 51,892	\$ 51,892	\$ 1,673,011	\$ 1,445,007
Construction in Progress	335,160	0	0	178,401	335,160	178,401
Buildings and Building Improvements	7,592,528	7,777,746	3,535,970	3,102,158	11,128,498	10,879,904
Improvements Other Than Buildings	4,455,881	4,281,075	3,528,832	3,733,675	7,984,713	8,014,750
Machinery and Equipment	1,739,504	1,833,720	730,317	777,697	2,469,821	2,611,417
Furniture and Fixtures	7,290	8,336	1,028	1,028	8,318	9,364
Vehicles	2,022,003	2,139,278	759,530	698,689	2,781,533	2,837,967
Infrastructure	15,270,027	16,047,320	0	0	15,270,027	16,047,320
Water Lines	0	0	3,477,676	5,904,839	3,477,676	5,904,839
Sewer Lines	0	0	5,668,107	3,586,968	5,668,107	3,586,968
<b>Total</b>	<b>\$ 33,043,512</b>	<b>\$ 33,480,590</b>	<b>\$ 17,753,352</b>	<b>\$ 18,035,347</b>	<b>\$ 50,796,864</b>	<b>\$ 51,515,937</b>

See Note 9 for additional information about the capital assets of the City.

*This space intentionally left blank.*

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*

**Debt**

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

**Table 4**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 5,322,534	\$ 5,653,331	\$ 0	\$ 0	\$ 5,322,534	\$ 5,653,331
First Federal Cemetery Loan	223,089	0	0	0	223,089	0
ODOT Loans	351,970	298,798	0	0	351,970	298,798
OPWC Loans	0	0	552,564	230,467	552,564	230,467
OWDA Loans	0	0	3,434,232	4,015,784	3,434,232	4,015,784
Capital Leases	278,861	424,790	70,052	94,594	348,913	519,384
<i>Total</i>	<u>\$ 6,176,454</u>	<u>\$ 6,376,919</u>	<u>\$ 4,056,848</u>	<u>\$ 4,340,845</u>	<u>\$ 10,233,302</u>	<u>\$ 10,717,764</u>

***Economic Factors***

In 2018, the City was awarded \$879,542 in federal grant money for the Staffing for Adequate Fire and Emergency Response (SAFER). This will allow the City to add 6 new firefighters to the fire department in 2019. The grant will cover a percentage of wages and benefits over 3 years for the additional 6 firefighters.

Funding was secured from the State Infrastructure Bank for the construction of a new 12-bay aircraft hangar at our municipal airport. The demand for more hangar space from private aircraft owners drove this decision. The new hangar will be completed in early 2019 and will be fully rented immediately.

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

The City welcomed several new businesses in 2018. A few businesses have begun construction on new facilities to be ready to begin operations in 2019. We saw a 10 percent growth in our income tax revenues over 2017 due to our improving local economy.

In 2018, the Council and administration continued to work on ways to enhance and grow our General Fund revenues. We continue to work on finding ways to cut our expenses by working to change the way some of our services are provided to our citizenry.

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

***Contacting the City's Finance Department***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Beth Gundy, Auditor of City of New Philadelphia, 150 East High Ave., Suite 19, New Philadelphia, Ohio, 44663 or [bgundy@newphilaoh.com](mailto:bgundy@newphilaoh.com).

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Statement of Net Position*  
*December 31, 2018*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 5,443,474	\$ 4,273,419	\$ 9,716,893
Accounts Receivable	297,307	907,131	1,204,438
Intergovernmental Receivable	1,452,104	0	1,452,104
Property Taxes Receivable	1,498,407	0	1,498,407
Income Taxes Receivable	1,693,919	0	1,693,919
Materials and Supplies Inventory	313,072	610,342	923,414
Non-Depreciable Capital Assets	1,956,279	51,892	2,008,171
Depreciable Capital Assets, Net	31,087,233	17,701,460	48,788,693
<i>Total Assets</i>	<u>43,741,795</u>	<u>23,544,244</u>	<u>67,286,039</u>
<b>Deferred Outflows of Resources</b>			
Pension	3,258,107	626,118	3,884,225
OPEB	1,781,454	133,657	1,915,111
<i>Total Deferred Outflows of Resources</i>	<u>5,039,561</u>	<u>759,775</u>	<u>5,799,336</u>
<b>Liabilities</b>			
Accounts Payable	57,299	52,122	109,421
Accrued Wages	279,669	86,301	365,970
Contracts Payable	57,269	0	57,269
Intergovernmental Payable	211,301	59,249	270,550
Accrued Interest Payable	18,315	20,325	38,640
Long-Term Liabilities:			
Due Within One Year	960,808	760,685	1,721,493
Due In More Than One Year:			
Net Pension Liability	13,911,659	2,379,626	16,291,285
Net OPEB Liability	11,841,171	1,608,581	13,449,752
Other Amounts Due in More Than One Year	6,625,591	3,528,083	10,153,674
<i>Total Liabilities</i>	<u>33,963,082</u>	<u>8,494,972</u>	<u>42,458,054</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,482,228	0	1,482,228
Pension	1,409,837	614,146	2,023,983
OPEB	309,857	161,611	471,468
<i>Total Deferred Inflows of Resources</i>	<u>3,201,922</u>	<u>775,757</u>	<u>3,977,679</u>
<b>Net Position</b>			
Net Investment in Capital Assets	26,811,276	14,107,954	40,919,230
Restricted for:			
Capital Projects	1,348,184	0	1,348,184
Debt Service	240,112	0	240,112
Street Maintenance	1,814,172	0	1,814,172
Court Operations	1,142,956	0	1,142,956
Community Development	721,756	0	721,756
Other Purposes	941,041	0	941,041
Unrestricted	(21,403,145)	925,336	(20,477,809)
<i>Total Net Position</i>	<u>\$ 11,616,352</u>	<u>\$ 15,033,290</u>	<u>\$ 26,649,642</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, 2018

	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
<b>Governmental Activities</b>							
General Government	\$ 4,074,606	\$ 1,816,152	\$ 256,449	\$ 51,506	\$ (1,950,499)	\$ 0	\$ (1,950,499)
Security of Persons and Property	8,038,305	615,722	26,105	0	(7,396,478)	0	(7,396,478)
Public Health	1,143,767	204,120	56,248	0	(883,399)	0	(883,399)
Leisure Time Services	1,265,476	60,893	0	406,815	(797,768)	0	(797,768)
Community Development	380,167	0	388,900	0	8,733	0	8,733
Transportation	2,756,157	88,635	735,287	0	(1,932,235)	0	(1,932,235)
Interest and Fiscal Charges	188,618	0	0	0	(188,618)	0	(188,618)
<i>Total Governmental Activities</i>	<u>17,847,096</u>	<u>2,785,522</u>	<u>1,462,989</u>	<u>458,321</u>	<u>(13,140,264)</u>	<u>0</u>	<u>(13,140,264)</u>
<b>Business-Type Activities</b>							
Water	3,063,351	2,593,127	0	37,331	0	(432,893)	(432,893)
Sewer	2,226,567	2,696,648	0	85,344	0	555,425	555,425
Sanitation	1,594,484	1,554,972	15,442	0	0	(24,070)	(24,070)
<i>Total Business-Type Activities</i>	<u>6,884,402</u>	<u>6,844,747</u>	<u>15,442</u>	<u>122,675</u>	<u>0</u>	<u>98,462</u>	<u>98,462</u>
<i>Total</i>	<u>\$ 24,731,498</u>	<u>\$ 9,630,269</u>	<u>\$ 1,478,431</u>	<u>\$ 580,996</u>	<u>(13,140,264)</u>	<u>98,462</u>	<u>(13,041,802)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					979,793	0	979,793
Debt Service					337,806	0	337,806
Police and Fire					183,917	0	183,917
Income Taxes Levied for:							
General Purposes					3,774,841	0	3,774,841
Police and Fire					3,171,728	0	3,171,728
Health Services					338,308	0	338,308
Street Maintenance and Repair					670,690	0	670,690
Other Purposes					223,340	0	223,340
Other Local Taxes					194,000	0	194,000
Grants and Entitlements not Restricted to Specific Programs					609,412	0	609,412
Interest					79,254	0	79,254
Miscellaneous					311,479	85,462	396,941
<i>Total General Revenues</i>					<u>10,874,568</u>	<u>85,462</u>	<u>10,960,030</u>
Transfers					32,544	(32,544)	0
<i>Total General Revenues and Transfers</i>					<u>10,907,112</u>	<u>52,918</u>	<u>10,960,030</u>
<i>Change in Net Position</i>					<u>(2,233,152)</u>	<u>151,380</u>	<u>(2,081,772)</u>
<i>Net Position Beginning of Year (Restated, see Note 2)</i>					<u>13,849,504</u>	<u>14,881,910</u>	<u>28,731,414</u>
<i>Net Position End of Year</i>					<u>\$ 11,616,352</u>	<u>\$ 15,033,290</u>	<u>\$ 26,649,642</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2018*

	General	Safety Forces Operation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 595,647	\$ 161,481	\$ 4,686,346	\$ 5,443,474
Accounts Receivable	76,572	1,192	219,543	297,307
Intergovernmental Receivable	281,706	0	1,170,398	1,452,104
Property Taxes Receivable	981,088	0	517,319	1,498,407
Income Taxes Receivable	751,999	558,905	383,015	1,693,919
Materials and Supplies Inventory	75,960	0	237,112	313,072
<i>Total Assets</i>	<u>\$ 2,762,972</u>	<u>\$ 721,578</u>	<u>\$ 7,213,733</u>	<u>\$ 10,698,283</u>
<b>Liabilities</b>				
Accounts Payable	\$ 31,654	\$ 6,125	\$ 19,520	\$ 57,299
Accrued Wages	79,511	147,781	52,377	279,669
Contracts Payable	57,269	0	0	57,269
Intergovernmental Payable	59,655	48,695	102,951	211,301
<i>Total Liabilities</i>	<u>228,089</u>	<u>202,601</u>	<u>174,848</u>	<u>605,538</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	970,302	0	511,926	1,482,228
Unavailable Revenue	639,662	299,870	1,270,382	2,209,914
<i>Total Deferred Inflows of Resources</i>	<u>1,609,964</u>	<u>299,870</u>	<u>1,782,308</u>	<u>3,692,142</u>
<b>Fund Balances</b>				
Nonspendable	124,429	0	237,112	361,541
Restricted	0	219,107	4,892,988	5,112,095
Committed	132,471	0	152,554	285,025
Assigned	340,456	0	0	340,456
Unassigned	327,563	0	(26,077)	301,486
<i>Total Fund Balances</i>	<u>924,919</u>	<u>219,107</u>	<u>5,256,577</u>	<u>6,400,603</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,762,972</u>	<u>\$ 721,578</u>	<u>\$ 7,213,733</u>	<u>\$ 10,698,283</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, 2018

<b>Total Governmental Fund Balances</b>		\$ 6,400,603
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,043,512
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 16,179	
Income Tax	911,414	
Intergovernmental	1,197,526	
Charges for Services	84,795	2,209,914
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(18,315)
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	3,258,107	
Deferred Outflows - OPEB	1,781,454	
Deferred Inflows - Pension	(1,409,837)	
Deferred Inflows - OPEB	(309,857)	
Net Pension Liability	(13,911,659)	
Net OPEB Liability	(11,841,171)	(22,432,963)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(5,195,000)	
ODOT Loans	(351,970)	
Land Purchase Loan	(223,089)	
Bond Premium	(127,534)	
Capital Leases	(278,861)	
Compensated Absences	(1,409,945)	(7,586,399)
<i>Net Position of Governmental Activities</i>		\$ 11,616,352

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, 2018*

	General	Safety Forces Operation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 980,742	\$ 0	\$ 522,197	\$ 1,502,939
Income Taxes	3,724,349	2,637,033	1,677,082	8,038,464
Other Local Taxes	194,000	0	0	194,000
Charges for Services	170,965	0	722,240	893,205
Licenses and Permits	187,534	0	286,965	474,499
Fines and Forfeitures	377,703	0	883,951	1,261,654
Intergovernmental	577,827	0	1,887,144	2,464,971
Interest	79,254	0	7,443	86,697
Rent	85,187	0	0	85,187
Contributions and Donations	143,325	750	73,560	217,635
Other	190,833	6,279	114,367	311,479
<i>Total Revenues</i>	<u>6,711,719</u>	<u>2,644,062</u>	<u>6,174,949</u>	<u>15,530,730</u>
<b>Expenditures</b>				
Current:				
General Government	2,812,331	0	889,123	3,701,454
Security of Persons and Property	2,516,230	2,473,917	1,278,714	6,268,861
Public Health	299,456	0	536,489	835,945
Leisure Time Services	762,333	0	3,578	765,911
Community Development	0	0	380,110	380,110
Transportation	36,102	0	1,556,369	1,592,471
Capital Outlay	250,228	0	980,982	1,231,210
Debt Service:				
Principal Retirement	13,659	0	504,475	518,134
Interest and Fiscal Charges	2,929	0	195,026	197,955
<i>Total Expenditures</i>	<u>6,693,268</u>	<u>2,473,917</u>	<u>6,324,866</u>	<u>15,492,051</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>18,451</u>	<u>170,145</u>	<u>(149,917)</u>	<u>38,679</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	95,462	0	228,004	323,466
<i>Net Change in Fund Balance</i>	113,913	170,145	78,087	362,145
<i>Fund Balance Beginning of Year</i>	<u>811,006</u>	<u>48,962</u>	<u>5,178,490</u>	<u>6,038,458</u>
<i>Fund Balance End of Year</i>	<u>\$ 924,919</u>	<u>\$ 219,107</u>	<u>\$ 5,256,577</u>	<u>\$ 6,400,603</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, 2018*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	362,145
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 1,420,956	
Current Year Depreciation	<u>(1,664,015)</u>	(243,059)
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.		
		(194,019)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(1,423)	
Income Tax	140,443	
Intergovernmental	(394,256)	
Charges for Services	<u>73,981</u>	(181,255)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	325,000	
ODOT Loan	42,290	
Capital Lease	145,929	
Land Purchase Loan	<u>4,915</u>	518,134
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	(95,462)	
Land Purchase Loan	<u>(228,004)</u>	(323,466)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	3,540	
Amortization of Premium on Bonds	<u>5,797</u>	9,337
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,218,708	
OPEB	<u>17,355</u>	1,236,063
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(2,255,496)	
OPEB	<u>(1,091,256)</u>	(3,346,752)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	<u>(70,280)</u>	<u>(70,280)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(2,233,152)</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, 2018

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 1,033,387	\$ 1,061,100	\$ 980,742	\$ (80,358)
Income Taxes	3,454,844	3,280,000	3,278,840	(1,160)
Other Local Taxes	206,739	225,000	196,207	(28,793)
Charges for Services	157,538	244,400	149,512	(94,888)
Licenses and Permits	197,601	170,000	187,534	17,534
Fines and Forfeitures	395,253	320,000	375,117	55,117
Intergovernmental	609,476	561,000	578,427	17,427
Interest	104,331	90,000	99,016	9,016
Rent	48,778	26,000	46,293	20,293
Contributions and Donations	25,581	0	24,278	24,278
Other	166,472	177,500	157,991	(19,509)
<i>Total Revenues</i>	<u>6,400,000</u>	<u>6,155,000</u>	<u>6,073,957</u>	<u>(81,043)</u>
<b>Expenditures</b>				
Current:				
General Government	2,623,190	2,488,840	2,336,323	152,517
Security of Persons and Property	2,132,519	2,583,969	2,529,407	54,562
Public Health	308,996	308,996	289,194	19,802
Leisure Time Services	877,652	850,552	758,835	91,717
Transportation	58,100	58,100	36,676	21,424
Capital Outlay	25,000	12,100	12,058	42
Debt Service:				
Principal Retirement	13,675	13,675	13,659	16
Interest and Fiscal Charges	2,929	2,929	2,929	0
<i>Total Expenditures</i>	<u>6,042,061</u>	<u>6,319,161</u>	<u>5,979,081</u>	<u>340,080</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>357,939</u>	<u>(164,161)</u>	<u>94,876</u>	<u>259,037</u>
<i>Net Change in Fund Balance</i>	357,939	(164,161)	94,876	259,037
<i>Fund Balance Beginning of Year</i>	250,096	250,096	250,096	0
Prior Year Encumbrances Appropriated	<u>41,179</u>	<u>41,179</u>	<u>41,179</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 649,214</u>	<u>\$ 127,114</u>	<u>\$ 386,151</u>	<u>\$ 259,037</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, 2018*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Income Taxes	\$ 2,700,000	\$ 2,700,000	\$ 2,639,286	\$ (60,714)
Contributions and Donations	0	0	750	750
Other	0	0	5,087	5,087
<i>Total Revenues</i>	<u>2,700,000</u>	<u>2,700,000</u>	<u>2,645,123</u>	<u>(54,877)</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,700,000	2,711,572	2,569,903	141,669
<i>Total Expenditures</i>	<u>2,700,000</u>	<u>2,711,572</u>	<u>2,569,903</u>	<u>141,669</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>0</u>	<u>(11,572)</u>	<u>75,220</u>	<u>86,792</u>
<i>Net Change in Fund Balance</i>	0	(11,572)	75,220	86,792
<i>Fund Balance Beginning of Year</i>	27,628	27,628	27,628	0
Prior Year Encumbrances Appropriated	<u>12,298</u>	<u>12,298</u>	<u>12,298</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 39,926</u>	<u>\$ 28,354</u>	<u>\$ 115,146</u>	<u>\$ 86,792</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, 2018*

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 1,124,095	\$ 1,785,554	\$ 1,363,770	\$ 4,273,419
Accounts Receivable	435,178	466,586	5,367	907,131
Materials and Supplies Inventory	603,048	5,888	1,406	610,342
<i>Total Current Assets</i>	<u>2,162,321</u>	<u>2,258,028</u>	<u>1,370,543</u>	<u>5,790,892</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	6,845	35,054	9,993	51,892
Depreciable Capital Assets, Net	7,740,063	9,490,741	470,656	17,701,460
<i>Total Non-Current Assets</i>	<u>7,746,908</u>	<u>9,525,795</u>	<u>480,649</u>	<u>17,753,352</u>
<i>Total Assets</i>	<u>9,909,229</u>	<u>11,783,823</u>	<u>1,851,192</u>	<u>23,544,244</u>
<b>Deferred Outflows of Resources</b>				
Pension	227,497	186,746	211,875	626,118
OPEB	44,790	38,392	50,475	133,657
<i>Total Deferred Outflows of Resources</i>	<u>272,287</u>	<u>225,138</u>	<u>262,350</u>	<u>759,775</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	11,869	10,349	29,904	52,122
Accrued Wages	33,610	28,163	24,528	86,301
Intergovernmental Payable	22,855	19,213	17,181	59,249
Accrued Interest Payable	0	19,763	562	20,325
Compensated Absences Payable	48,923	31,743	16,969	97,635
Capital Leases Payable	0	38,028	12,744	50,772
OPWC Loans Payable	5,378	21,539	0	26,917
OWDA Loans Payable	0	585,361	0	585,361
<i>Total Current Liabilities</i>	<u>122,635</u>	<u>754,159</u>	<u>101,888</u>	<u>978,682</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	64,596	51,572	18,117	134,285
Capital Leases Payable - Net of Current Portion	0	19,280	0	19,280
OPWC Loans Payable - Net of Current Portion	40,751	484,896	0	525,647
OWDA Loans Payable - Net of Current Portion	0	2,848,871	0	2,848,871
Net Pension Liability	900,399	771,771	707,456	2,379,626
Net OPEB Liability	608,652	521,702	478,227	1,608,581
<i>Total Long-Term Liabilities</i>	<u>1,614,398</u>	<u>4,698,092</u>	<u>1,203,800</u>	<u>7,516,290</u>
<i>Total Liabilities</i>	<u>1,737,033</u>	<u>5,452,251</u>	<u>1,305,688</u>	<u>8,494,972</u>
<b>Deferred Inflows of Resources</b>				
Pension	256,722	191,195	166,229	614,146
OPEB	77,827	48,159	35,625	161,611
<i>Total Deferred Inflows of Resources</i>	<u>334,549</u>	<u>239,354</u>	<u>201,854</u>	<u>775,757</u>
<b>Net Position</b>				
Net Investment in Capital Assets	7,700,779	5,939,270	467,905	14,107,954
Unrestricted	409,155	378,086	138,095	925,336
<i>Total Net Position</i>	<u>\$ 8,109,934</u>	<u>\$ 6,317,356</u>	<u>\$ 606,000</u>	<u>15,033,290</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, 2018*

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 2,593,127	\$ 2,696,648	\$ 1,554,972	\$ 6,844,747
Other	56,157	15,768	13,537	85,462
<i>Total Operating Revenues</i>	<u>2,649,284</u>	<u>2,712,416</u>	<u>1,568,509</u>	<u>6,930,209</u>
<b>Operating Expenses</b>				
Salaries and Wages	825,228	667,721	641,025	2,133,974
Fringe Benefits	517,282	415,267	429,555	1,362,104
Contractual Services	616,753	400,912	396,823	1,414,488
Materials and Supplies	668,981	196,350	68,375	933,706
Depreciation	427,541	509,503	57,778	994,822
<i>Total Operating Expenses</i>	<u>3,055,785</u>	<u>2,189,753</u>	<u>1,593,556</u>	<u>6,839,094</u>
<i>Operating Income (Loss)</i>	<u>(406,501)</u>	<u>522,663</u>	<u>(25,047)</u>	<u>91,115</u>
<b>Non-Operating Revenues (Expense)</b>				
Intergovernmental	0	0	15,442	15,442
Loss on Sale of Capital Assets	(6,396)	0	0	(6,396)
Interest and Fiscal Charges	(1,170)	(36,814)	(928)	(38,912)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(7,566)</u>	<u>(36,814)</u>	<u>14,514</u>	<u>(29,866)</u>
<i>Income (Loss) Before Capital Contributions and Transfers</i>	<u>(414,067)</u>	<u>485,849</u>	<u>(10,533)</u>	<u>61,249</u>
Capital Contributions	37,331	85,344	0	122,675
Transfers Out	(17,672)	(14,872)	0	(32,544)
<i>Change in Net Position</i>	<u>(394,408)</u>	<u>556,321</u>	<u>(10,533)</u>	<u>151,380</u>
<i>Net Position Beginning of Year (Restated, see Note 2)</i>	<u>8,504,342</u>	<u>5,761,035</u>	<u>616,533</u>	<u>14,881,910</u>
<i>Net Position End of Year</i>	<u>\$ 8,109,934</u>	<u>\$ 6,317,356</u>	<u>\$ 606,000</u>	<u>\$15,033,290</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, 2018

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,586,904	\$ 2,664,200	\$ 1,554,972	\$ 6,806,076
Cash Received from Other Operating Receipts	55,874	15,559	8,170	79,603
Cash Payments to Suppliers for Goods and Services	(701,885)	(198,392)	(74,647)	(974,924)
Cash Payments to Employees for Services and Benefits	(1,212,279)	(953,854)	(919,541)	(3,085,674)
Cash Payments for Contractual Services	(619,296)	(397,827)	(396,013)	(1,413,136)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>109,318</u>	<u>1,129,686</u>	<u>172,941</u>	<u>1,411,945</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	0	0	21,071	21,071
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital Grants	37,331	85,344	0	122,675
Proceeds of OPWC Loans	8,356	340,469	0	348,825
Acquisition of Capital Assets	(96,706)	(461,093)	(144,771)	(702,570)
Principal Payments on Debt	(36,881)	(641,788)	(12,036)	(690,705)
Interest Payments on Debt	(1,870)	(39,932)	(1,460)	(43,262)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(89,770)</u>	<u>(717,000)</u>	<u>(158,267)</u>	<u>(965,037)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	19,548	412,686	35,745	467,979
<i>Cash and Investments Beginning of Year</i>	<u>1,104,547</u>	<u>1,372,868</u>	<u>1,328,025</u>	<u>3,805,440</u>
<i>Cash and Investments End of Year</i>	<u>\$ 1,124,095</u>	<u>\$ 1,785,554</u>	<u>\$ 1,363,770</u>	<u>\$ 4,273,419</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	\$ (406,501)	\$ 522,663	\$ (25,047)	\$ 91,115
Adjustments:				
Depreciation	427,541	509,503	57,778	994,822
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	(6,506)	(32,657)	(5,367)	(44,530)
Prepaid Items	0	0	0	0
Materials and Supplies Inventory	(38,747)	(1,163)	2,216	(37,694)
Deferred Outflows - Pension/OPEB	314,568	237,055	153,571	705,194
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	3,300	2,206	(7,678)	(2,172)
Accrued Wages	2,651	3,781	1,518	7,950
Compensated Absences Payable	(2,703)	1,931	1,674	902
Intergovernmental Payable	(105)	1,237	730	1,862
Deferred Inflows - Pension/OPEB	321,941	228,984	193,293	744,218
Net Pension Liability	(500,640)	(366,573)	(255,758)	(1,122,971)
Net OPEB Liability	(5,481)	22,719	56,011	73,249
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 109,318</u>	<u>\$ 1,129,686</u>	<u>\$ 172,941</u>	<u>\$ 1,411,945</u>

**Noncash Capital Financing Activities:**

The City purchased \$8,686 of capital assets on account in 2017.

The City entered into a capital lease agreement for a vehicle in the amount of \$57,883 in the sewer fund in 2018.

The City transferred \$17,672 and \$14,872 of construction in progress activity to governmental activities from the water and sewer funds, respectively, in 2018.

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*December 31, 2018*

---

---

	<u>Agency Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 6,435
Cash and Investments in Segregated Accounts	152,267
Accounts Receivable	1,473
<i>Total Assets</i>	<u>\$ 160,175</u>
 <b>Liabilities</b>	
Undistributed Monies	<u>\$ 160,175</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, 2018*

---

**NOTE 1: REPORTING ENTITY**

The City of New Philadelphia (the “City”) is a municipal corporation, established under the laws of the State of Ohio. The City operates under a Council-Mayor form of government. The Mayor, Council, Auditor, Treasurer, Law Director, and Municipal Court Judge are elected.

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, as amended by GASB 61 and 80.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City does not have any component units.

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

**A. Basis of Presentation**

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

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

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

**Fund Financial Statements** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

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

**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.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

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

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

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

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

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

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

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

***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.

***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.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

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

***D. Basis of Accounting***

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

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

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

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

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

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

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

***E. Pooled Cash and Investments***

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

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

During 2018, investments were limited to certificates of deposit, federal securities and US treasury notes.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund (including unrealized gains/losses on investments) during 2018 amounted to \$79,254, where \$77,010 was assigned from other funds.

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

***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 acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

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

***H. Compensated Absences***

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

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

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

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

***I. Accrued Liabilities and Long-Term Obligations***

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

***J. Pensions/Other Postemployment Benefits (OPEB)***

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

***K. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2018, there was no net position restricted by enabling legislation.

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

***L. Fund Balance***

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

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

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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



**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

***M. Operating Revenues and Expenses***

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

***N. Contributions of Capital***

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

***O. Interfund Activity***

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

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

***P. Extraordinary and Special Items***

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

***Q. Budgetary Data***

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

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

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

**R. Estimates**

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

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

For the fiscal year ended December 31, 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017	\$ 23,145,177	\$ 16,395,572
Adjustments:		
Net OPEB Liability	(9,345,409)	(1,535,332)
Deferred Outflow-Payments		
Subsequent to Measurement Date	49,736	21,670
Restated Net Position, December 31, 2017	\$ 13,849,504	\$ 14,881,910

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

	Water	Sewer	Sanitation	Total Business- Type Activities
Net Position, December 31, 2017	\$ 9,109,807	\$ 6,252,975	\$ 1,032,790	\$ 16,395,572
Adjustments:				
Net OPEB Liability	(614,133)	(498,983)	(422,216)	(1,535,332)
Deferred Outflow-Payments				
Subsequent to Measurement Date	8,668	7,043	5,959	21,670
Restated Net Position, December 31, 2017	<u>\$ 8,504,342</u>	<u>\$ 5,761,035</u>	<u>\$ 616,533</u>	<u>\$ 14,881,910</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 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).

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

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

<b>Net Change in Fund Balance</b>		
	General	Safety Forces Operation
GAAP Basis	\$ 113,913	\$ 170,145
Net Adjustment for Revenue Accruals	(14,172)	1,061
Net Adjustment for Expenditure Accruals	21,598	(53,615)
Funds Budgeted Elsewhere	(15,600) **	0
Adjustment for Encumbrances	(10,863)	(42,371)
Budget Basis	\$ 94,876	\$ 75,220

\*\* 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.

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

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

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

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

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

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

**Cash on Hand** - At December 31, 2018 the City had \$300 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Investments.”

**Deposits** - At year-end, the carrying amount of the City’s deposits was \$3,753,160 and the bank balance was \$4,020,211. Of the bank balance:

1. \$679,159 was covered by Federal depository insurance, by collateral held by the City, or by collateral held by the City’s agent in the name of the City; and
2. \$3,341,052 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the City’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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

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

**Investments**

As of December 31, 2018, the City had the following investments and maturities:

Rating	Investment	Measurement Amount	Investment Maturities in Months			% Total
			0-12	13-36	Over 36	
Net Asset Value (NAV):						
AAAm	First American Government Obligations	\$ 9,102	\$ 9,102	\$ 0	\$ 0	0.1%
Fair Value:						
AA+	Federal Home Loan Mortgage	1,640,472	495,565	977,695	167,212	26.8%
Aaa	Federal Farm Credit Bank	878,856	438,830	0	440,026	14.4%
AAA	Federal Home Loan Banks	538,264	258,214	0	280,050	8.8%
Aaa	Federal National Mortgage Association MTN	496,175	496,175	0	0	8.1%
AA+	Fannie Mae	562,664	0	562,664	0	9.2%
N/A	Negotiable Certificates of Deposit	1,194,728	245,101	0	949,627	19.5%
AA+	US Treasury Notes	801,874	801,874	0	0	13.1%
Total Investments		<u>\$ 6,122,135</u>	<u>\$ 2,744,861</u>	<u>\$ 1,540,359</u>	<u>\$ 1,836,915</u>	<u>100.0%</u>

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2018. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

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

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

**Concentration of Credit Risk** The table above includes the percentage to total of each investment type held by the City at December 31, 2018.

**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 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes were levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was \$4.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

Category	Assessed Value
Real Property	\$ 330,867,880
Public Utilities - Real	29,610
Public Utilities - Personal	11,606,710
 Total Assessed Value	 \$ 342,504,200

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, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 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, 2018 consisted of taxes, accounts (billed and unbilled user charged services) and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts and intergovernmental receivables are deemed collectible in full.

**NOTE 7: INCOME TAX**

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Effective July 1, 2005, the electors approved the one-half (1/2) percent to be used for safety forces operations. The remaining one percent provides for general municipal operations. The street lighting special revenue fund and income tax administration fund receive an allocation from the income tax that is established annually by Council. For 2018, the balance was allocated 69 percent to the general fund, 14 percent to the street maintenance and repair special revenue fund, 10 percent to the police and fire pension special revenue fund, and 7 percent to the cemetery special revenue fund. For 2019 the allocations for the street maintenance and repair and police and fire pension funds were reallocated to 12 percent to each fund.

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2018, the City contracted with several companies for various types of insurance as follows:



**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

<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 9: CAPITAL ASSETS**

A summary of changes in capital assets during 2018 follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,393,115	\$ 228,004	\$ 0	\$ 1,621,119
Construction in progress	0	335,160	0	335,160
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,393,115</u>	<u>563,164</u>	<u>0</u>	<u>1,956,279</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Building Improvements	12,270,763	88,875	0	12,359,638
Improvements Other than Buildings	7,329,435	400,439	0	7,729,874
Machinery and Equipment	5,553,755	262,713	(215,335)	5,601,133
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	5,140,253	105,765	0	5,246,018
Infrastructure	33,143,904	0	0	33,143,904
<i>Total Capital Assets, Being Depreciated</i>	<u>63,548,201</u>	<u>857,792</u>	<u>(215,335)</u>	<u>64,190,658</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(4,493,017)	(274,093)	0	(4,767,110)
Improvements Other than Buildings	(3,048,360)	(225,633)	0	(3,273,993)
Machinery and Equipment	(3,720,035)	(162,910)	21,316	(3,861,629)
Furniture and Fixtures	(101,755)	(1,046)	0	(102,801)
Vehicles	(3,000,975)	(223,040)	0	(3,224,015)
Infrastructure	(17,096,584)	(777,293)	0	(17,873,877)
<i>Total Accumulated Depreciation</i>	<u>(31,460,726)</u>	<u>(1,664,015) *</u>	<u>21,316</u>	<u>(33,103,425)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>32,087,475</u>	<u>(806,223)</u>	<u>(194,019)</u>	<u>31,087,233</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$33,480,590</u>	<u>\$ (243,059)</u>	<u>\$ (194,019)</u>	<u>\$33,043,512</u>

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

\*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 135,412
Security of Persons and Property	307,968
Leisure Time Services	251,664
Transportation	950,515
Public Health	18,402
Community and Economic Development	<u>54</u>
<b>Total</b>	<b><u>\$ 1,664,015</u></b>

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 51,892	\$ 0	\$ 0	\$ 51,892
Construction in progress	178,401	454,209	(632,610)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>230,293</u>	<u>454,209</u>	<u>(632,610)</u>	<u>51,892</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Building Improvements	9,192,619	647,830	0	9,840,449
Improvements Other than Buildings	6,903,852	0	0	6,903,852
Machinery and Equipment	5,101,138	9,360	(7,599)	5,102,899
Furniture and Fixtures	20,554	0	0	20,554
Vehicles	2,318,430	187,434	0	2,505,864
Sewer Lines	6,873,133	3,000	0	6,876,133
Water Lines	14,950,361	50,000	0	15,000,361
<i>Total Capital Assets, Being Depreciated</i>	<u>45,360,087</u>	<u>897,624</u>	<u>(7,599)</u>	<u>46,250,112</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(6,090,461)	(214,018)	0	(6,304,479)
Improvements Other than Buildings	(3,170,177)	(204,843)	0	(3,375,020)
Machinery and Equipment	(4,323,441)	(50,344)	1,203	(4,372,582)
Furniture and Fixtures	(19,526)	0	0	(19,526)
Vehicles	(1,619,741)	(126,593)	0	(1,746,334)
Sewer Lines	(3,286,165)	(112,292)	0	(3,398,457)
Water Lines	(9,045,522)	(286,732)	0	(9,332,254)
<i>Total Accumulated Depreciation</i>	<u>(27,555,033)</u>	<u>(994,822)</u>	<u>1,203</u>	<u>(28,548,652)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>17,805,054</u>	<u>(97,198)</u>	<u>(6,396)</u>	<u>17,701,460</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$ 18,035,347</u>	<u>\$ 357,011</u>	<u>\$ (639,006)</u>	<u>\$ 17,753,352</u>

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

---

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

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

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

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

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

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

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

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

	State and Local
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
 <b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$747,695 for 2018. Of this amount, \$41,296 is reported as an intergovernmental payable.

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

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

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

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

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

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

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

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

	Police	Firefighters
<b>2018 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2018 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$747,659 for 2018. Of this amount, \$115,683 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.04099564%	0.16065100%	
Prior Measurement Period	0.03856076%	0.14836200%	
Change in Proportion	0.00243489%	0.01228900%	
 Proportionate Share of the Net			
Pension Liability	\$ 6,431,422	\$ 9,859,863	\$ 16,291,285
Pension Expense	\$ 1,486,814	\$ 1,322,145	\$ 2,808,959

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 6,568	\$ 149,631	\$ 156,199
Changes of Assumptions	768,594	429,647	1,198,241
Changes in Proportionate Share	344,433	689,998	1,034,431
City Contributions Subsequent to the Measurement Date	747,695	747,659	1,495,354
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,867,290</b>	<b>\$ 2,016,935</b>	<b>\$ 3,884,225</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 126,744	\$ 17,838	\$ 144,582
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,380,741	341,077	1,721,818
Changes in Proportionate Share	126,964	30,619	157,583
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,634,449</b>	<b>\$ 389,534</b>	<b>\$ 2,023,983</b>

\$1,495,354 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	\$ 671,663	\$ 384,403	\$ 1,056,066
2020	(12,417)	294,732	282,315
2021	(606,731)	(58,540)	(665,271)
2022	(567,369)	(16,642)	(584,011)
2023	0	222,281	222,281
Thereafter	0	53,508	53,508
	<b>\$ (514,854)</b>	<b>\$ 879,742</b>	<b>\$ 364,888</b>

**Actuarial Assumptions - OPERS**

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

Valuation Date	December 31, 2017
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.



**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Proportionate Share of the Net Pension Liability	\$ 11,420,566	\$ 6,431,422	\$ 2,271,978

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Actuarial Cost Method	Entry Age (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Increases	3.25 percent (inflation plus productivity increase)
Inflation Assumptions	2.75 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00 %	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income*	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
U.S. Inflation Linked Bonds*	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
<b>Total</b>	<b>120.00 %</b>		

Note: Assumptions are geometric.

\* Levered 2x

\*\* Numbers are net of expected inflation

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	\$ 13,668,375	\$ 9,859,863	\$ 6,753,699

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

**NOTE 11: DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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.

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

*Notes To The Basic Financial Statements (Continued)  
For the Year Ended December 31, 2018*

---

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City had no contractually required contribution 2018.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

The City's contractually required contribution to OP&F was \$17,355 for 2018. Of this amount, \$2,689 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OPF	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.04003507%	0.16065100%	
Prior Measurement Period	0.03800200%	0.14836200%	
Change in Proportion	0.00203307%	0.01228900%	
Proportionate Share of the Net			
OPEB Liability	\$ 4,347,514	\$ 9,102,238	\$ 13,449,752
OPEB Expense	\$ 428,362	\$ 785,767	\$ 1,214,129

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OPF	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 3,387	\$ 0	\$ 3,387
Changes of Assumptions	316,545	888,187	1,204,732
Changes in Proportionate Share	180,710	508,927	689,637
City Contributions Subsequent to the Measurement Date	0	17,355	17,355
Total Deferred Outflows of Resources	\$ 500,642	\$ 1,414,469	\$ 1,915,111
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 0	\$ 45,908	\$ 45,908
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	323,861	59,915	383,776
Changes in Proportionate Share	41,784	0	41,784
Total Deferred Inflows of Resources	\$ 365,645	\$ 105,823	\$ 471,468

\$17,355 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

Year Ending December 31:	OPERS	OPF	Total
2019	\$ 138,415	\$ 182,566	\$ 320,981
2020	146,331	182,566	328,897
2021	(68,781)	182,566	113,785
2022	(80,968)	182,567	101,599
2023	0	197,545	197,545
Thereafter	0	363,481	363,481
	<u>\$ 134,997</u>	<u>\$ 1,291,291</u>	<u>\$ 1,426,288</u>

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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



**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

**Discount Rate** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's Proportionate Share of the Net OPEB Liability	\$ 5,775,860	\$ 4,347,514	\$ 3,191,996

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 4,159,644	\$ 4,347,514	\$ 4,541,579

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increased based on the lesser of the increase in CPI and 3.00 percent

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

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

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

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

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	16.00 %	5.21 %
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

Note: Assumptions are geometric.

\* Levered 2x

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

**Discount Rate** The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	\$ 11,377,936	\$ 9,102,238	\$ 7,351,229

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 7,070,800	\$ 9,102,238	\$ 11,839,982

***Changes between Measurement Date and Report Date***

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

**NOTE 12: OTHER EMPLOYEE BENEFITS**

**A. *Additional Insurance***

The City contracts with AultCare for major medical insurance, Vision Service Plan for vision insurance for all full-time employees, and AFSCME Care Plan for full-time AFSCME union employees. The City pays \$2 for single eye care, \$5 for family eye care and \$26 for dental insurance premiums. Employees have an HSA health care plan. The City pays \$512 for single care and \$1,173 for family care.

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

**B. *Compensated Absences***

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

Employees earn sick leave at the rate of 4.6 hours for every 80 hours worked for City employees and police officers, and at a rate of 13.85 hours for every 104 hours of service for firefighters. Sick leave accumulation is limited based on years of service and is paid upon retirement. As of December 31, 2018, the total liability for unpaid compensated absences was \$1,641,865.

**NOTE 13: LONG-TERM OBLIGATIONS**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
City Improvement Refunding Bonds - 2013	1.0-2.1	\$ 1,545,000	December 1, 2021
Fire Station Construction Serial & Term Bonds - 2016	1.0-4.0	5,000,000	December 1, 2040
Ohio Department of Transportation Loan - 2014	3.00	352,000	July 1, 2024
Ohio Department of Transportation Loan - 2018	0.00	504,000	N/A
First Federal Cemetery Loan	4.44	228,004	April 25, 2038
<b>Business-Type Activities</b>			
Ohio Public Works Commission - 2003	0.00	\$ 350,000	January 1, 2024
Ohio Public Works Commission - 2004	0.00	100,000	July 1, 2025
Ohio Public Works Commission - 2008	0.00	60,591	January 1, 2024
Ohio Public Works Commission - 2016	0.00	480,000	January 1, 2037
Ohio Public Works Commission - 2017	0.00	11,317	January 1, 2048
Ohio Water Development Water Authority - 2001	0.20	8,238,264	July 1, 2023
Ohio Water Development Water Authority - 2002	0.00	1,645,800	July 1, 2023
Ohio Water Development Water Authority - 2003	3.53	870,558	July 1, 2023
Ohio Water Development Water Authority - 2005	4.25	211,630	July 1, 2030
Ohio Water Development Water Authority - 2013	3.29	634,069	January 1, 2034

\* The loan is not yet fully disbursed.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

Changes in the long-term obligations of the City during 2018 were as follows:

	Restated Amount Outstanding 12/31/2017	Additions	(Reductions)	Amount Outstanding 12/31/2018	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2013 City Improvement Refunding Bonds	\$ 720,000	\$ 0	\$ (175,000)	\$ 545,000	\$ 185,000
2016 Fire Station Construction Bonds					
Serial and Term Bonds	4,800,000	0	(150,000)	4,650,000	155,000
Unamortized Premium	133,331	0	(5,797)	127,534	0
<b>Total General Obligation Bonds</b>	<b>5,653,331</b>	<b>0</b>	<b>(330,797)</b>	<b>5,322,534</b>	<b>340,000</b>
<b>Loans</b>					
Ohio Department of Transportation-West High Widening	298,798	0	(42,290)	256,508	43,569
Ohio Department of Transportation-12-bay Hanger	0	95,462	0	95,462	0
Land Purchase	0	228,004	(4,915)	223,089	7,414
<b>Total Loans</b>	<b>298,798</b>	<b>323,466</b>	<b>(47,205)</b>	<b>575,059</b>	<b>50,983</b>
<b>Net Pension/OPEB Liability:</b>					
Pension	14,651,026	0	(739,367)	13,911,659	0
OPEB	9,345,409	2,495,762	0	11,841,171	0
<b>Total Net Pension/OPEB Liability</b>	<b>23,996,435</b>	<b>2,495,762</b>	<b>(739,367)</b>	<b>25,752,830</b>	<b>0</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	1,339,665	554,047	(483,767)	1,409,945	441,176
Capital Leases	424,790	0	(145,929)	278,861	128,649
<b>Total Other Long-Term Obligations</b>	<b>1,764,455</b>	<b>554,047</b>	<b>(629,696)</b>	<b>1,688,806</b>	<b>569,825</b>
<b>Total Governmental Activities</b>	<b>\$ 31,713,019</b>	<b>\$ 3,373,275</b>	<b>\$ (1,747,065)</b>	<b>\$ 33,339,229</b>	<b>\$ 960,808</b>
<b>Business-Type Activities</b>					
<b>OPWC Loans</b>					
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	\$ 113,750	\$ 0	\$ (17,500)	\$ 96,250	\$ 17,500
Ohio Public Works Commission Loan - Clearwell	40,000	0	(5,000)	35,000	5,000
Ohio Public Works Commission -Bluebell Pump Station	26,255	0	(4,039)	22,216	4,039
Ohio Public Works Commission -WTP Backwash	2,962	8,356	(189)	11,129	378
Ohio Public Works Commission -WWTP Headworks Upgrade	47,500	340,469	0	387,969	0
<b>Total OPWC Loans</b>	<b>230,467</b>	<b>348,825</b>	<b>(26,728)</b>	<b>552,564</b>	<b>26,917</b>
<b>OWDA Loans</b>					
Ohio Water Development Authority Loan - Sewer Plant Expansion and Upgrade	2,506,154	0	(415,608)	2,090,546	416,439
Ohio Water Development Authority Loan - Bass Lake Project	493,740	0	(82,290)	411,450	82,290
Ohio Water Development Authority Loan - Waste Water Treatment Plant Improvements	327,542	0	(49,928)	277,614	51,707
Ohio Water Development Authority Loan - Sewer Loan	137,006	0	(8,088)	128,918	8,436
Ohio Water Development Authority Loan - 5 Points Storm Sewer	551,342	0	(25,638)	525,704	26,489
<b>Total OWDA Loans</b>	<b>4,015,784</b>	<b>0</b>	<b>(581,552)</b>	<b>3,434,232</b>	<b>585,361</b>
<b>Net Pension Liability:</b>					
Water	1,401,039	0	(500,640)	900,399	0
Sewer	1,138,344	0	(366,573)	771,771	0
Sanitation	963,214	0	(255,758)	707,456	0
<b>Total Net Pension Liability</b>	<b>3,502,597</b>	<b>0</b>	<b>(1,122,971)</b>	<b>2,379,626</b>	<b>0</b>
<b>Net OPEB Liability:</b>					
Water	614,133	0	(5,481)	608,652	0
Sewer	498,983	22,719	0	521,702	0
Sanitation	422,216	56,011	0	478,227	0
<b>Total Net OPEB Liability</b>	<b>1,535,332</b>	<b>78,730</b>	<b>(5,481)</b>	<b>1,608,581</b>	<b>0</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	231,018	100,905	(100,003)	231,920	97,635
Capital Leases	94,594	57,883	(82,425)	70,052	50,772
<b>Total Other Long-Term Obligations</b>	<b>325,612</b>	<b>158,788</b>	<b>(182,428)</b>	<b>301,972</b>	<b>148,407</b>
<b>Total Business-Type Activities</b>	<b>\$ 9,609,792</b>	<b>\$ 586,343</b>	<b>\$ (1,919,160)</b>	<b>\$ 8,276,975</b>	<b>\$ 760,685</b>

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

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

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

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

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

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

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

On February 24, 2014, the City received a loan from the Ohio Department of Transportation (ODOT). The proceeds of this loan were used for improvements and widening of West High Avenue. Semiannual principal and interest payments of \$25,470 began on January 1, 2017 and will mature on July 1, 2024. Payments will be made from the master capital improvement fund.



**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

On November 27, 2018, the City received a loan from ODOT. The proceeds of this loan will be used for the construction of a 12-bay hanger at the airport. As of December 31, 2018, the City has received \$95,462 of the loan. No amortization schedule is available; therefore, this loan is not included in the amortization schedule below.

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

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$3,986,796 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 41.5 percent. The total principal and interest remaining to be paid on the loans is \$4,207,155. Principal and interest paid for the current year and total net revenues were \$645,870 and \$1,053,206, respectively.

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

	General Obligation Bonds		ODOT Loans		First Federal Cemetery Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 340,000	\$ 159,980	\$ 43,569	\$ 7,371	\$ 7,414	\$ 9,891	\$ 390,983	\$ 177,242
2020	340,000	153,180	44,885	6,054	7,728	9,577	\$ 392,613	\$ 168,811
2021	340,000	146,380	46,242	4,697	8,110	9,195	\$ 394,352	\$ 160,272
2022	165,000	139,400	47,640	3,300	8,483	8,822	\$ 221,123	\$ 151,522
2023	170,000	136,100	49,080	1,860	8,873	8,432	\$ 227,953	\$ 146,392
2024-2028	915,000	609,500	25,092	376	50,823	35,701	\$ 990,915	\$ 645,577
2029-2033	1,065,000	458,325	0	0	63,658	22,046	\$ 1,128,658	\$ 480,371
2034-2038	1,280,000	236,813	0	0	68,000	6,977	\$ 1,348,000	\$ 243,790
2039-2043	580,000	29,531	0	0	0	0	\$ 580,000	\$ 29,531
	<u>\$ 5,195,000</u>	<u>\$ 2,069,209</u>	<u>\$ 256,508</u>	<u>\$ 23,658</u>	<u>\$ 223,089</u>	<u>\$ 110,641</u>	<u>\$ 5,674,597</u>	<u>\$ 2,203,508</u>

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

	Ohio Public Works Commission Loans		Ohio Water Development Authority Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 26,917	\$ 34,070	\$ 585,361	\$ 34,070	\$ 612,278	\$ 34,070
2020	26,916	31,580	589,277	31,580	616,193	31,580
2021	26,916	26,733	593,303	26,733	620,219	26,733
2022	26,916	22,909	597,447	22,909	624,363	22,909
2023	26,916	18,767	601,710	18,767	628,626	18,767
2024-2028	22,656	62,916	223,323	62,916	245,979	62,916
2029-2033	1,885	23,031	222,380	23,031	224,265	23,031
2034-2038	1,885	353	21,431	353	23,316	353
2039-2043	1,885	0	0	0	1,885	0
2044-2048	1,703	0	0	0	1,703	0
	<u>\$ 164,595</u>	<u>\$ 220,359</u>	<u>\$ 3,434,232</u>	<u>\$ 220,359</u>	<u>\$ 3,598,827</u>	<u>\$ 220,359</u>

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

**NOTE 14: CAPITAL LEASES – LESSEE DISCLOSURE**

In prior years, the City entered into lease agreements for a city wide phone system, a municipal court phone system, a fire tanker, and vehicles for the park, cemetery, general services, and fire department. These debts will be paid by the master capital improvement fund, general fund, muni court special fund and fire capital equipment fund. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

In 2018 the City entered into lease agreement for a vehicle in the sewer. In prior years, the City entered into lease agreements for water, sewer, and sanitation vehicles. This debt will be paid by the respectively related revenue funds as well as the assets have been record to their respective funds.

The assets acquired by the leases have been capitalized in the amount of \$858,158, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$115,864 as of December 31, 2018, leaving a current book value of \$742,294. A corresponding liability is recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2018:

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Year Ending December 31:	2019	\$ 136,359	\$ 54,534
	2020	83,260	20,204
	2021	<u>69,980</u>	<u>0</u>
Minimum lease payments		289,599	74,738
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(10,738)</u>	<u>(4,686)</u>
Present value of minimum lease payments		<u>\$ 278,861</u>	<u>\$ 70,052</u>

**NOTE 15: INTERFUND TRANSFERS**

Construction in progress activity in the amounts of \$17,672 and \$14,872 were transferred from business-type activities to governmental activities. This reflects the amounts that the water and sewer funds, respectively, spent on the Southside Park projected in 2018.

**NOTE 16: SIGNIFICANT COMMITMENTS**

**A. *Contractual Commitments***

As of December 31, 2018, the City had contractual commitments for the following projects:

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

	Contractual Commitment	Expended	Balance 12/31/2018
Hall Community Development	\$ 170,525	\$ 136,700	\$ 33,825
WE Quicksall - Southside Community Park	166,542	52,742	113,800
WE Quicksall -Carlisle Boat Ramp Engineering	87,025	68,935	18,090
WE Quicksall -Coniglio Boat Ramp Engineering	102,663	82,663	20,000
Ohio Erie Excavating LLC- Carlisle Boat Ramp	289,877	0	289,877
Ohio Erie Excavating LLC- Coniglio Boat Ramp	390,249	0	390,249
Michael Baker, Jr. Grant Admin 2018	15,871	1,404	14,467
Straitline Structures, Inc.	495,490	95,462	400,028
Totals	<u>\$ 1,718,242</u>	<u>\$ 437,906</u>	<u>\$ 1,280,336</u>

**B. Other Commitments**

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

Fund	Amount
General	\$ 12,478
Safety Forces Operation	42,371
Other Governmental Funds	143,197
Totals	<u>\$ 198,046</u>

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

**NOTE 17: CONTINGENCIES**

**A. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2018.

**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.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

**NOTE 18: FUND BALANCE**

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

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

	General Fund	Safety Forces Operation	Other Governmental	Total
Nonspendable for:				
Inventory	\$ 75,960	\$ 0	\$ 237,112	\$ 313,072
Unclaimed Monies	48,469	0	0	48,469
Total Nonspendable	<u>124,429</u>	<u>0</u>	<u>237,112</u>	<u>361,541</u>
Restricted for:				
Public Safety and Law Enforcement	0	219,107	151,339	370,446
Street Maintenance	0	0	1,382,711	1,382,711
Cemetery	0	0	568,532	568,532
Debt Service	0	0	243,118	243,118
Municipal Court	0	0	1,177,798	1,177,798
Community Development	0	0	109,595	109,595
Capital Outlay	0	0	1,259,895	1,259,895
Total Restricted	<u>0</u>	<u>219,107</u>	<u>4,892,988</u>	<u>5,112,095</u>
Committed for:				
Municipal Court	132,471	0	0	132,471
Other Purposes	0	0	152,554	152,554
Total Committed	<u>132,471</u>	<u>0</u>	<u>152,554</u>	<u>285,025</u>
Assigned:				
Encumbrances				
General Government	1,310	0	0	1,310
Security of Persons and Property	4,104	0	0	4,104
Transportation	613	0	0	613
Public Health	300	0	0	300
Income Tax	175	0	0	175
Subsequent Year Appropriations	333,954	0	0	333,954
Total Assigned	<u>340,456</u>	<u>0</u>	<u>0</u>	<u>340,456</u>
Unassigned	<u>327,563</u> *	<u>0</u>	<u>(26,077)</u> *	<u>301,486</u>
Total Fund Balance	<u>\$ 924,919</u>	<u>\$ 219,107</u>	<u>\$ 5,256,577</u>	<u>\$ 6,400,603</u>

\*Fund Balances at December 31, 2018 included deficits of \$10,902 and \$26,077, in the Airport Capital Improvement (General) and Police and Fire Pension funds, respectively.

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Year Ended December 31, 2018*

---

---

**NOTE 19: JOINTLY GOVERNED ORGANIZATIONS**

***A. Community Improvement Corporation of Tuscarawas County***

The City is associated with the Community Improvement Corporation of Tuscarawas County (“Corporation”) as a Jointly Governed Organization. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and 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 2018, 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 2018, 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 2018, no monies were paid by the City.

***D. Tax Incentive Revenue Council (TIRC)***

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2018, no monies were paid by the City.

*This page intentionally left blank.*

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>					
City's Proportion of the Net Pension Liability	0.0409956%	0.0385608%	0.0393160%	0.0399860%	0.0399860%
City's Proportionate Share of the Net Pension Liability	\$ 6,431,422	\$ 8,756,492	\$ 6,810,027	\$ 4,822,758	\$ 4,713,828
City's Covered Payroll	\$ 5,670,757	\$ 4,989,825	\$ 4,863,000	\$ 4,903,692	\$ 3,982,946
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	113.41%	175.49%	140.04%	98.35%	118.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>					
City's Proportion of the Net Pension Liability	0.1606510%	0.1483620%	0.1492050%	0.1453451%	0.1453451%
City's Proportionate Share of the Net Pension Liability	\$ 9,859,863	\$ 9,397,131	\$ 9,598,462	\$ 7,529,482	\$ 7,078,762
City's Covered Payroll	\$ 3,445,910	\$ 3,138,985	\$ 2,968,896	\$ 2,894,854	\$ 2,140,640
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	286.13%	299.37%	323.30%	260.10%	330.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

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

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

See accompanying notes to the required supplementary information.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 747,695	\$ 737,198	\$ 598,779	\$ 583,560
Contributions in Relation to the Contractually Required Contribution	<u>(747,695)</u>	<u>(737,198)</u>	<u>(598,779)</u>	<u>(583,560)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 5,340,679	\$ 5,670,757	\$ 4,989,825	\$ 4,863,000
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 747,659	\$ 742,971	\$ 675,455	\$ 639,089
Contributions in Relation to the Contractually Required Contribution	<u>(747,659)</u>	<u>(742,971)</u>	<u>(675,455)</u>	<u>(639,089)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,471,004	\$ 3,445,910	\$ 3,138,985	\$ 2,968,896
Contributions as a Percentage of Covered Payroll	21.54%	21.56%	21.52%	21.53%

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

See accompanying notes to the required supplementary information.



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 588,443	\$ 517,783	n/a	n/a	n/a	n/a
<u>(588,443)</u>	<u>(517,783)</u>	n/a	n/a	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a	n/a	n/a
\$ 4,903,692	\$ 3,982,946	n/a	n/a	n/a	n/a
12.00%	13.00%	n/a	n/a	n/a	n/a
\$ 608,260	\$ 389,142	\$ 375,944	\$ 397,105	\$ 485,569	\$ 367,704
<u>(608,260)</u>	<u>(389,142)</u>	<u>(375,944)</u>	<u>(397,105)</u>	<u>(485,569)</u>	<u>(367,704)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,894,854	\$ 2,140,640	\$ 2,488,687	\$ 2,606,907	\$ 3,190,353	\$ 2,417,379
21.01%	18.18%	15.11%	15.23%	15.22%	15.21%

See accompanying notes to the required supplementary information.

*This page intentionally left blank.*

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

	<u>2018</u>	<u>2017</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>		
City's Proportion of the Net OPEB Liability	0.0400351%	0.0380020%
City's Proportionate Share of the Net OPEB Liability	\$ 4,347,514	\$ 3,838,331
City's Covered Payroll	\$ 5,670,757	\$ 4,989,825
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	76.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>		
City's Proportion of the Net OPEB Liability	0.1606510%	0.1483620%
City's Proportionate Share of the Net OPEB Liability	\$ 9,102,238	\$ 7,042,410
City's Covered Payroll	\$ 3,445,910	\$ 3,138,985
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	264.15%	224.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 0	\$ 54,176	\$ 99,797	n/a
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(54,176)</u>	<u>(99,797)</u>	n/a
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
City's Covered Payroll (1)	\$ 5,340,679	\$ 5,670,757	\$ 4,989,825	n/a
Contributions as a Percentage of Covered Payroll	0.00%	0.96%	2.00%	n/a
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 17,355	\$ 17,230	\$ 15,695	\$ 14,844
Contributions in Relation to the Contractually Required Contribution	<u>(17,355)</u>	<u>(17,230)</u>	<u>(15,695)</u>	<u>(14,844)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 3,471,004	\$ 3,445,910	\$ 3,138,985	\$ 2,968,896
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

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

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

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
\$ 174,031	\$ 173,471	\$ 167,987	\$ 175,965	\$ 216,302	\$ 163,173
<u>(174,031)</u>	<u>(173,471)</u>	<u>(167,987)</u>	<u>(175,965)</u>	<u>(216,302)</u>	<u>(163,173)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 2,894,854	\$ 2,140,640	\$ 2,488,687	\$ 2,606,907	\$ 3,190,353	\$ 2,417,379
6.00%	8.10%	6.75%	6.75%	6.78%	6.75%

See accompanying notes to the required supplementary information.

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2018*

---

**Note 1 - Net Pension Liability**

***Changes in Assumptions – OPERS***

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

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

***Changes in Assumptions – OP&F***

For 2017, the single discount rate changed from 8.25 percent to 8.00 percent.

**Note 2 - Net OPEB Liability**

***Changes in Assumptions - OPERS***

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

***Changes in Assumptions – OPF***

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

June 28, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2018, 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 28, 2019, wherein we noted the City restated net position balances to properly account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

**Purpose of this Report**

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio



June 28, 2019

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of New Philadelphia's, Tuscarawas County, Ohio (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion the Airport Improvement Program***

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 20.106 Airport Improvement Program as described in finding number 2018-001 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

***Qualified Opinion on the Airport Improvement Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Airport Improvement Program for the year ended December 31, 2018.

***Other Matters***

The City's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Hea & Associates, Inc.*

New Philadelphia, Ohio

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

*Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018*

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through/ Entity Grant Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Disbursements</b>
<b>U. S. Department of Housing and Urban Development</b>				
<i>Passed through Ohio Department of Development:</i>				
Community Development Block Grants	14.228	A-F-17-154-1	0	123,896
Total Community Development Block Grants			<u>0</u>	<u>123,896</u>
HOME Investment Partnerships Program	14.239	A-C-16-2CU-1	0	92,553
HOME Investment Partnerships Program	14.239	A-C-16-2CU-2	0	311,482
Total HOME Investment Partnerships Program			<u>0</u>	<u>404,035</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>0</u>	<u>527,931</u>
<b>U.S. Department of Transportation</b>				
<i>Direct:</i>				
Airport Improvement Program	20.106	3-39-0060-013-2016	0	8,194
Airport Improvement Program	20.106	3-39-0060-014-2017	0	1,087,818
Total Airport Improvement Program			<u>0</u>	<u>1,096,012</u>
<i>Passed through Ohio Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	PID-103899	0	19,152
Total Highway Planning and Construction Cluster			<u>0</u>	<u>19,152</u>
<b>Total U.S. Department of Transportation</b>			<u>0</u>	<u>1,115,164</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 0</u>	<u>\$ 1,643,095</u>

The accompanying notes are an integral part of this Schedule.

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

*Notes to the Schedule of Expenditures of Federal Awards  
2 CFR 200.510(b)(6)  
For the Year Ended December 31, 2018*

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award activity of the City of New Philadelphia (the City) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has not made an election whether or not to use the 10 percent de minimis rate.

**NOTE C – MATCHING REQUIREMENTS**

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

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*December 31, 2018*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None Reported
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):  Airport Improvement Program	CFDA #  20.106
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None

**City of New Philadelphia**  
**Tuscarawas County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*December 31, 2018*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

<b>Finding Number</b>	2018-001
<b>CFDA Title and Number</b>	Airport Improvement Program – CFDA 20.106
<b>Federal Award Number / Year</b>	2017
<b>Federal Agency</b>	U.S. Department of Transportation

**Material Noncompliance/Material Weakness – Cash Management**

**Criteria:** **2 CFR section 200.305(b).** For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

**Condition:** In testing, we noted three disbursements to contractors that did not appear to be made in a timely manner. For the disbursements identified, we noted there was more than a month lag between receiving the grant draws and making disbursements to contractors.

**Cause:** The City does not have a federal cash management policy or internal controls in place to ensure disbursements are made in a timely manner.

**Effect:** Noncompliance with cash management regulations outlined in 2 CFR section 200.305(b).

**Recommendation:** We recommend the City adopt a federal cash management policy and implement procedures to ensure grant monies are disbursed in a timely manner.

**City’s Response:** See Corrective Action Plan.



# City of New Philadelphia

Beth Gundy, Auditor

150 East High Avenue, Suite 019 • New Philadelphia, OH 44663  
(330) 364-4491 • Fax: (330) 364-6120

## City of New Philadelphia Tuscarawas County, Ohio

*Corrective Action Plan*  
*2 CFR Section 200.511(c)*

*For the Fiscal Year Ended December 31, 2018*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
<b>2018-001</b>	The City will establish a cash management policy in regards to federal grants. Procedures will be implemented to ensure all vendor invoices are paid in a timely manner.	December 31, 2019	Beth Gundy, City Auditor



# OHIO AUDITOR OF STATE KEITH FABER



**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 29, 2019**