



Dave Yost • Auditor of State



**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
JUNE 30, 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund .....	22
Statement of Fund Net Position	
Proprietary Fund .....	23
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund .....	24
Statement of Cash Flows	
Proprietary Funds.....	25
Statement of Fiduciary Net Position	
Fiduciary Funds.....	26
Statement of Changes in Fiduciary Net Position Private Purpose Trust Fund .....	27
Notes to the Basic Financial Statements .....	29

NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
JUNE 30, 2016

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio.....	68
State Teachers Retirement System of Ohio .....	69
Schedule of the School District's Contributions:	
School Employees Retirement System of Ohio.....	70
State Teachers Retirement System of Ohio .....	72
Schedule of Expenditures of Federal Awards (Prepared by Management) .....	75
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management) .....	76
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	77
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	79
Schedule of Findings .....	83
Summary Schedule of Prior Audit Findings and Questioned Costs (Prepared by Management) .....	85
Corrective Action Plan (Prepared by Management) .....	86



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

New Philadelphia City School District  
Tuscarawas County  
248 Front Avenue, SW  
New Philadelphia, Ohio 44663

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 25 to the financial statements, the June 30, 2015 net position of the Quaker Digital Academy, the discretely presented component unit, was restated to correct the capital asset balance. Also, as discussed in Note 25 to the financial statements, the Academy's foundation funding is based on annualized full-time equivalent (FTE) enrollment of each student. During an FTE review, the Ohio Department of Education (ODE) found the Academy had an FTE of zero. At the opinion date, the Academy had not yet completed the appeal process; therefore, a contingency has been disclosed. We did not modify our opinion regarding these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension Liabilities and Pension Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis 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 and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 7, 2017

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**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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It is a privilege to present to you the financial picture of the New Philadelphia City School District. This discussion and analysis of the School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. The financial statements of the component unit are issued as a separate report and are available by contacting the Quaker Digital Academy.

**Financial Highlights**

Key financial highlights for the 2016 fiscal year are as follows:

- In total, net position increased \$2.8 million. This increase was mainly due to an increase in equity in pooled cash and cash equivalents, which resulted from increases in property taxes and intergovernmental revenues.
- General revenues accounted for \$28.5 million or 80.87 percent of all revenues. Specific program revenues in the form of charges for services, operating grants, contributions, and interest, and capital grants and contributions accounted for \$6.7 million or 19.13 percent of total revenues.
- The School District had \$32.4 million in expenses related to governmental activities; only \$6.7 million of these expenses were offset by program revenues. General revenue (primarily taxes and foundation receipts) of \$28.5 million were sufficient to provide for these programs which led to the increase in net position.
- The General Fund had \$30.3 million in revenues and \$28.1 million in expenditures, yielding an increase in fund balance of \$2.2 million.

**Using this Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District'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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is by far the most significant fund.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-66 of this report.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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## **Reporting the School District as a Whole**

### *Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include *all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual 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 School District's *net position* and changes in the net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, all of the School District's activities are classified as governmental. The School District's programs and services reported here include instruction, support services, operation of food services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

The analysis of the School District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's only major governmental fund is the general fund.

**Governmental Funds** Most of the School District's activities are reported in governmental funds that focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the *modified accrual* accounting method that 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 School District'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 educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for a health insurance program, which provides medical benefits to employees. This fund uses the accrual basis of accounting.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**The School District as a Whole**

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for fiscal year 2016 compared to 2015:

**Table 1**  
*Net Position*

	Governmental Activities		
	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$24,020,034	\$22,167,766	\$1,852,268
Capital Assets, Net	12,525,166	12,949,201	(424,035)
<i>Total Assets</i>	<u>36,545,200</u>	<u>35,116,967</u>	<u>1,428,233</u>
<b>Deferred Outflows of Resources</b>			
Pension	4,001,085	2,644,308	1,356,777
<b>Liabilities</b>			
Current Liabilities	3,606,112	3,378,737	227,375
Long-Term Liabilities:			
Due Within One Year	815,150	665,117	150,033
Due in More Than One Year:			
Net Pension Liability	39,854,435	35,422,283	4,432,152
Other Amounts	2,607,683	3,501,868	(894,185)
<i>Total Liabilities</i>	<u>46,883,380</u>	<u>42,968,005</u>	<u>3,915,375</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	12,485,483	12,942,912	(457,429)
Pension	2,931,710	6,429,415	(3,497,705)
<i>Total Deferred Inflows of Resources</i>	<u>15,417,193</u>	<u>19,372,327</u>	<u>(3,955,134)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	10,798,349	10,610,941	187,408
Restricted	1,674,085	2,559,642	(885,557)
Unrestricted (Deficit)	(34,226,722)	(37,749,640)	3,522,918
<i>Total Net Position</i>	<u>(\$21,754,288)</u>	<u>(\$24,579,057)</u>	<u>\$2,824,769</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed in the following paragraphs, many end users of

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

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

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources one can see the overall position of the School District has improved as evidenced by the increase in net position. Unrestricted net position primarily contributed to this increase. Current assets increased mainly due to an increase in equity in pooled cash and cash equivalents, which was primarily a result of increases in property taxes and intergovernmental revenues. Other amounts due in more than one year decreased as the School District continued to pay down long-term debt.

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

**Table 2**  
Change in Net Position  
Governmental Activities

	2016	2015	Change
<b>Revenues</b>			
<b><i>Program Revenues</i></b>			
Charges for Services	\$2,632,811	\$2,833,391	(\$200,580)
Operating Grants, Contributions, and Interest	4,099,484	4,259,850	(160,366)
Capital Grants and Contributions	12,600	12,600	0
<b><i>Total Program Revenues</i></b>	<b>6,744,895</b>	<b>7,105,841</b>	<b>(360,946)</b>
<b><i>General Revenues</i></b>			
Property Taxes	15,173,052	14,097,411	1,075,641
Grants and Entitlements	12,294,006	11,006,332	1,287,674
Investment Earnings	12,436	7,653	4,783
Miscellaneous	1,032,741	1,162,723	(129,982)
<b><i>Total General Revenues</i></b>	<b>28,512,235</b>	<b>26,274,119</b>	<b>2,238,116</b>
<b>Total Revenues</b>	<b>35,257,130</b>	<b>33,379,960</b>	<b>1,877,170</b>
<b><i>Program Expenses</i></b>			
Instruction	20,825,379	19,742,285	1,083,094
Support Services:			
Pupil and Instructional Staff	2,015,521	1,879,064	136,457
Board of Education, Fiscal and Administration	3,356,856	3,091,652	265,204
Operation and Maintenance	2,618,656	2,634,304	(15,648)
Pupil Transportation	923,965	808,924	115,041
Central	6,142	0	6,142
Operation of Food Services	853,844	917,137	(63,293)
Operation of Non-Instructional Services	391,566	340,540	51,026
Extracurricular Activities	1,396,548	404,902	991,646
Interest and Fiscal Charges	43,884	52,885	(9,001)
<b><i>Total Program Expenses</i></b>	<b>32,432,361</b>	<b>29,871,693</b>	<b>2,560,668</b>
<b>Change in Net Position</b>	<b>2,824,769</b>	<b>3,508,267</b>	<b>(683,498)</b>
<b>Net Position Beginning of Year</b>	<b>(24,579,057)</b>	<b>(28,087,324)</b>	<b>3,508,267</b>
<b>Net Position End of Year</b>	<b>(\$21,754,288)</b>	<b>(\$24,579,057)</b>	<b>\$2,824,769</b>

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

**Governmental Activities**

General revenues accounted for \$28.5 million or 80.87 percent of all revenues. Specific program revenues in the form of charges for services, operating grants, contributions, and interest, and capital grants and contributions accounted for \$6.7 million or 19.13 percent of total revenues.

Several revenue sources fund governmental activities, with property taxes being the largest contributor. The last increase in property tax levies by the citizens of the School District was in 2014. Property tax levies generated almost \$15.2 million in fiscal year 2016. General revenues from grants and entitlements, such as the school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental funding of approximately 84.69 percent of all expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations. Both property taxes and grants and entitlements revenues increased from the prior fiscal year.

Instruction composes 64 percent of governmental program expenses. The increase of nearly \$2.6 million in total expenses is mainly due to increases in instruction and extracurricular activities expenses.

The statement of activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program Expenses</b>				
Instruction:				
Regular	\$15,520,410	\$14,111,120	\$15,120,591	\$13,188,160
Special	5,160,498	2,497,280	4,483,349	1,456,694
Vocational	144,471	90,660	138,345	85,076
Support Services:				
Pupil	1,651,378	1,616,999	1,555,003	1,515,915
Instructional Staff	364,143	323,264	324,061	313,132
Board of Education	136,646	136,646	59,759	59,759
Administration	2,462,315	2,312,849	2,346,840	2,189,398
Fiscal	757,895	757,895	685,053	685,053
Operation and Maintenance of Plant	2,618,656	2,388,891	2,634,304	2,632,265
Pupil Transportation	923,965	829,891	808,924	774,707
Central	6,142	6,142	0	0
Operation of Food Services	853,844	(45,633)	917,137	164,790
Operation of Non-Instructional Services	391,566	(44,211)	340,540	(89,568)
Extracurricular Activities	1,396,548	661,789	404,902	(262,414)
Interest and Fiscal Charges	43,884	43,884	52,885	52,885
<b>Total</b>	<b>\$32,432,361</b>	<b>\$25,687,466</b>	<b>\$29,871,693</b>	<b>\$22,765,852</b>

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

The dependence upon general revenues for governmental activities is apparent, with 79.2 percent of expenses supported through property taxes, grants and entitlements, and other general revenues.

**The School District's Funds**

Information about the School District's major fund starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$35 million and expenditures of \$33.3 million. The net change in fund balance for the year was an increase of \$1.7 million. The general fund had an increase in fund balance of \$2.2 million, while other governmental funds had a decrease in fund balances of \$0.5 million. This overall increase indicates the School District's current revenue base is able to meet the School District's obligations as a whole. The School District understands that it needs to continue to monitor expenditures to ensure it can meet future needs.

***Budgeting Highlights***

The School District'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 fiscal year 2016, the School District amended its general fund budget several times. Requests for budget changes are made by the building administrators. Final approval is obtained from the Treasurer and Superintendent and is presented to the Board of Education for their adoption.

For the general fund, actual revenue was slightly higher than the final budget estimate of \$29.6 million.

Actual expenditures were only \$27.9 million or \$0.4 million less than final budgeted expenditures mainly due to surplus appropriations in regular instruction.

The School District's ending unobligated budgetary fund balance was \$0.7 million above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

The following table shows fiscal year 2016 balances compared to fiscal year 2015.

**Table 4**  
 Capital Assets at June 30  
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2016	2015
Land	\$1,013,677	\$1,013,677
Buildings and Improvements	9,068,241	9,299,037
Furniture and Equipment	1,705,979	1,940,604
Vehicles	737,269	695,883
Total Capital Assets	\$12,525,166	\$12,949,201

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Capital assets net of depreciation decreased by \$424,035, overall, which was mainly due to depreciation outpacing capital outlays.

The School District's capitalization threshold for capital assets was set at \$500. For additional information on capital assets, see Note 18 to the basic financial statements.

***Debt Administration***

Table 5 summarizes the long-term debt outstanding.

**Table 5**  
 Outstanding Long-Term Debt at June 30  
 Governmental Activities

	2016	2015
2013 Current Interest General Obligation Bonds	\$1,120,000	\$1,670,000
2014 Current Interest General Obligation Bonds	545,000	645,000
Capital Lease	8,144	23,261
Total	\$1,673,144	\$2,338,261

In 1992 the School District passed a 3.1 mill bond issue, providing \$8.8 million for facility improvements for the high school, including an addition of 24 classrooms. The School District refinanced that debt in June 2004 and again in September of 2013.

In March of 2014 the School District refinanced the HB 264 capital lease project and issued school improvement bonds.

At June 30, 2016, the School District's overall legal debt margin was \$37,449,219 with an unvoted debt margin of \$429,305. The School District maintains an A-1 bond rating.

For additional information on long-term obligations, see Notes 14 and 15 to the basic financial statements.

**Challenges and Opportunities**

New Philadelphia City School District is still strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers. The taxpayers approved an additional 7.1 mill levy in May 2014.

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the School District. Management must plan expenses accordingly, staying within the School District's five-year plan.

Externally, the State of Ohio was found by the Ohio Supreme Court in March, 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002 the Supreme Court issued its latest opinion regarding the school funding plan which upheld its earlier decisions.



## **New Philadelphia City School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited*

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New Philadelphia City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. This could have a significant impact on the School District's residential taxpayers.

Both scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years, and to grow even more dependent on local tax revenue.

In conclusion, the School District's system of budgeting and internal controls are well regarded and it will take all of the School District's financial abilities to meet the challenges of the future.

### **Contacting the School District's Financial Management Personnel**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Erwin, Treasurer, at New Philadelphia City School District, 248 Front Avenue SW, New Philadelphia, Ohio 44663 or email at [erwinj@npschools.org](mailto:erwinj@npschools.org).

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## **Basic Financial Statements**

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**New Philadelphia City School District**

*Statement of Net Position*

June 30, 2016

	Primary Government	Component Unit
	Governmental Activities	Quaker Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$8,153,065	\$4,463,700
Accounts Receivable	63,027	0
Intergovernmental Receivable	535,977	80,179
Prepaid Items	32,247	15,125
Materials and Supplies Inventory	5,929	0
Inventory Held for Resale	10,399	0
Property Taxes Receivable	15,219,390	0
Nondepreciable Capital Assets	1,013,677	0
Depreciable Capital Assets, Net	11,511,489	584,751
<i>Total Assets</i>	<u>36,545,200</u>	<u>5,143,755</u>
<b>Deferred Outflows of Resources</b>		
Pension	4,001,085	500,212
<b>Liabilities</b>		
Accounts Payable	188,165	27,623
Contracts Payable	53,673	0
Accrued Wages and Benefits Payable	2,761,468	50,163
Intergovernmental Payable	451,834	54,501
Matured Compensated Absences Payable	9,393	0
Accrued Interest Payable	3,022	0
Vacation Benefits Payable	138,557	51,338
Long-Term Liabilities:		
Due Within One Year	815,150	0
Due in More Than One Year:		
Net Pension Liability (See Note 11)	39,854,435	3,875,675
Other Amounts Due in More Than One Year	2,607,683	3,698
<i>Total Liabilities</i>	<u>46,883,380</u>	<u>4,062,998</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes	12,485,483	0
Pension	2,931,710	248,425
<i>Total Deferred Inflows of Resources</i>	<u>15,417,193</u>	<u>248,425</u>
<b>Net Position</b>		
Net Investment in Capital Assets	10,798,349	584,751
Restricted for:		
Capital Projects	338,247	0
Debt Service	496,724	0
Other Purposes	839,114	21,619
Unrestricted (Deficit)	(34,226,722)	726,174
<i>Total Net Position</i>	<u>(\$21,754,288)</u>	<u>\$1,332,544</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2016*

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$15,520,410	\$1,150,315	\$246,375	\$12,600
Special	5,160,498	0	2,663,218	0
Vocational	144,471	0	53,811	0
Support Services:				
Pupil	1,651,378	0	34,379	0
Instructional Staff	364,143	0	40,879	0
Board of Education	136,646	0	0	0
Administration	2,462,315	0	149,466	0
Fiscal	757,895	0	0	0
Operation and Maintenance of Plant	2,618,656	191,198	38,567	0
Pupil Transportation	923,965	64,265	29,809	0
Central	6,142	0	0	0
Operation of Food Services	853,844	245,487	653,990	0
Operation of Non-Instructional Services	391,566	306,022	129,755	0
Extracurricular Activities	1,396,548	675,524	59,235	0
Interest and Fiscal Charges	43,884	0	0	0
<i>Total Governmental Activities</i>	<u>\$32,432,361</u>	<u>\$2,632,811</u>	<u>\$4,099,484</u>	<u>\$12,600</u>
<b>Component Unit</b>				
Quaker Digital Academy	<u>\$4,023,015</u>	<u>\$0</u>	<u>\$383,877</u>	<u>\$0</u>

**General Revenues**

Property Taxes Levied for:

  General Purposes

  Debt Service

  Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year -*

*Restated Component Unit (See Note 25)*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
Governmental Activities	Quaker Digital Academy
(\$14,111,120)	\$0
(2,497,280)	0
(90,660)	0
(1,616,999)	0
(323,264)	0
(136,646)	0
(2,312,849)	0
(757,895)	0
(2,388,891)	0
(829,891)	0
(6,142)	0
45,633	0
44,211	0
(661,789)	0
(43,884)	0
(25,687,466)	0
0	(3,639,138)
14,496,786	0
513,050	0
163,216	0
12,294,006	4,251,678
12,436	5,280
1,032,741	90,297
28,512,235	4,347,255
2,824,769	708,117
(24,579,057)	624,427
(\$21,754,288)	\$1,332,544

**New Philadelphia City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,194,478	\$1,686,977	\$7,881,455
Accounts Receivable	59,892	3,135	63,027
Intergovernmental Receivable	103,878	432,099	535,977
Interfund Receivable	214,200	0	214,200
Prepaid Items	30,250	1,997	32,247
Materials and Supplies Inventory	0	5,929	5,929
Inventory Held for Resale	0	10,399	10,399
Property Taxes Receivable	14,549,470	669,920	15,219,390
<i>Total Assets</i>	<u>\$21,152,168</u>	<u>\$2,810,456</u>	<u>\$23,962,624</u>
<b>Liabilities</b>			
Accounts Payable	\$130,224	\$57,941	\$188,165
Contracts Payable	0	53,673	53,673
Accrued Wages and Benefits Payable	2,483,330	278,138	2,761,468
Intergovernmental Payable	361,214	90,620	451,834
Interfund Payable	0	214,200	214,200
Matured Compensated Absences Payable	3,895	5,498	9,393
<i>Total Liabilities</i>	<u>2,978,663</u>	<u>700,070</u>	<u>3,678,733</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	11,937,670	547,813	12,485,483
Unavailable Revenue	847,656	210,285	1,057,941
<i>Total Deferred Inflows of Resources</i>	<u>12,785,326</u>	<u>758,098</u>	<u>13,543,424</u>
<b>Fund Balances</b>			
Nonspendable	30,250	7,926	38,176
Restricted	0	1,512,763	1,512,763
Assigned	177,704	0	177,704
Unassigned (Deficit)	5,180,225	(168,401)	5,011,824
<i>Total Fund Balances</i>	<u>5,388,179</u>	<u>1,352,288</u>	<u>6,740,467</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$21,152,168</u>	<u>\$2,810,456</u>	<u>\$23,962,624</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2016*

<b>Total Governmental Funds Balances</b>	\$6,740,467
 <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.	12,525,166
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	779,955
Intergovernmental Grants	124,765
Tuition and Fees	153,221
Total	1,057,941
Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(138,557)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due.	(3,022)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(1,665,000)
Capital Lease	(8,144)
Compensated Absences	(1,749,689)
Total	(3,422,833)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	271,610
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:	
Deferred Outflows - Pension	4,001,085
Deferred Inflows - Pension	(2,931,710)
Net Pension Liability	(39,854,435)
Total	(38,785,060)
<i>Net Position of Governmental Activities</i>	<i>(\$21,754,288)</i>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$14,485,708	\$678,800	\$15,164,508
Intergovernmental	13,286,486	2,865,529	16,152,015
Interest	12,419	2,382	14,801
Tuition and Fees	1,334,544	221,352	1,555,896
Extracurricular Activities	145,726	528,373	674,099
Contributions and Donations	0	126,945	126,945
Charges for Services	233	246,912	247,145
Rentals	2,450	0	2,450
Miscellaneous	998,758	33,983	1,032,741
<i>Total Revenues</i>	<u>30,266,324</u>	<u>4,704,276</u>	<u>34,970,600</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	14,812,367	353,942	15,166,309
Special	3,619,640	1,619,189	5,238,829
Vocational	144,501	0	144,501
Support Services:			
Pupil	1,640,267	34,453	1,674,720
Instructional Staff	314,078	38,915	352,993
Board of Education	136,660	0	136,660
Administration	2,395,035	151,537	2,546,572
Fiscal	784,685	0	784,685
Operation and Maintenance of Plant	2,587,064	64,494	2,651,558
Pupil Transportation	880,565	0	880,565
Central	6,142	0	6,142
Operation of Food Services	0	865,303	865,303
Operation of Non-Instructional Services	0	401,463	401,463
Extracurricular Activities	677,508	636,939	1,314,447
Capital Outlay	0	390,753	390,753
Debt Service:			
Principal Retirement	55,117	610,000	665,117
Interest and Fiscal Charges	13,969	31,109	45,078
<i>Total Expenditures</i>	<u>28,067,598</u>	<u>5,198,097</u>	<u>33,265,695</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,198,726</u>	<u>(493,821)</u>	<u>1,704,905</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	31,000	31,000
Transfers Out	(31,000)	0	(31,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(31,000)</u>	<u>31,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2,167,726	(462,821)	1,704,905
<i>Fund Balances Beginning of Year</i>	<u>3,220,453</u>	<u>1,815,109</u>	<u>5,035,562</u>
<i>Fund Balances End of Year</i>	<u>\$5,388,179</u>	<u>\$1,352,288</u>	<u>\$6,740,467</u>

See accompanying notes to the basic financial statements



**New Philadelphia City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,704,905

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	466,587
Depreciation	<u>(775,835)</u>

Total (309,248)

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.

(114,787)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	8,544
Intergovernmental	124,765
Tuition and Fees	<u>153,221</u>

Total 286,530

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 the governmental funds:

Accrued Interest Payable	1,194
Vacation Benefits Payable	23,032
Compensated Absences	<u>79,035</u>

Total 103,261

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Payment on General Obligation Bonds	650,000
Payment on Capital Lease	<u>15,117</u>

Total 665,117

The change in net position of the internal service fund is reported with governmental activities in the statement of activities.

66,661

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

2,365,285

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(1,942,955)

*Change in Net Position of Governmental Activities*

\$2,824,769

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$14,145,000	\$14,145,000	\$14,278,293	\$133,293
Intergovernmental	13,215,976	13,215,976	13,284,083	68,107
Interest	7,000	7,000	13,104	6,104
Tuition and Fees	1,321,100	1,321,100	1,340,636	19,536
Charges for Services	0	0	233	233
Rentals	2,200	2,200	2,450	250
Miscellaneous	925,000	925,000	938,866	13,866
<i>Total Revenues</i>	<u>29,616,276</u>	<u>29,616,276</u>	<u>29,857,665</u>	<u>241,389</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	15,389,359	15,085,089	14,715,876	369,213
Special	3,420,637	3,547,833	3,547,833	0
Vocational	150,900	150,900	143,356	7,544
Support Services:				
Pupil	1,587,820	1,630,824	1,630,824	0
Instructional Staff	322,218	322,218	317,620	4,598
Board of Education	69,370	129,637	129,637	0
Administration	2,384,121	2,389,607	2,389,607	0
Fiscal	719,600	802,519	802,519	0
Operation and Maintenance of Plant	2,780,515	2,780,515	2,754,112	26,403
Pupil Transportation	903,000	903,000	890,312	12,688
Central	4,000	4,000	3,666	334
Operation of Non-Instructional Services	500	500	0	500
Extracurricular Activities	522,675	537,098	524,983	12,115
<i>Total Expenditures</i>	<u>28,254,715</u>	<u>28,283,740</u>	<u>27,850,345</u>	<u>433,395</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,361,561</u>	<u>1,332,536</u>	<u>2,007,320</u>	<u>674,784</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	13,000	13,000	13,771	771
Advances Out	(214,200)	(214,200)	(214,200)	0
Transfers Out	(31,000)	(31,000)	(31,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(232,200)</u>	<u>(232,200)</u>	<u>(231,429)</u>	<u>771</u>
<i>Net Change in Fund Balance</i>	1,129,361	1,100,336	1,775,891	675,555
<i>Fund Balance Beginning of Year</i>	4,055,933	4,055,933	4,055,933	0
Prior Year Encumbrances Appropriated	87,782	87,782	87,782	0
<i>Fund Balance End of Year</i>	<u>\$5,273,076</u>	<u>\$5,244,051</u>	<u>\$5,919,606</u>	<u>\$675,555</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2016*

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	<u>Governmental Activities - Internal Service</u>
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$271,610</u>
<b>Net Position</b>	
Unrestricted	<u>\$271,610</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2016*

	Governmental Activities - Internal Service
<b>Operating Revenues</b>	
Charges for Services	\$4,540,659
<b>Operating Expenses</b>	
Fringe Benefits	4,473,998
<i>Change in Net Position</i>	66,661
<i>Net Position Beginning of Year</i>	204,949
<i>Net Position End of Year</i>	\$271,610

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Governmental Activities - Internal Service
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$4,540,659
Cash Payments for Premiums	(4,473,998)
<i>Net Increase in Cash and Cash Equivalents</i>	66,661
<i>Cash and Cash Equivalents Beginning of Year</i>	204,949
<i>Cash and Cash Equivalents End of Year</i>	\$271,610

See accompanying notes to the basic financial statements

**New Philadelphia City School District**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2016*

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	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$995,537	<u><u>\$65,157</u></u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u><u>\$65,157</u></u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u><u>\$995,537</u></u>	

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Interest	\$1,221
<b>Deductions</b>	
Scholarships Awarded	17,500
<i>Change in Net Position</i>	(16,279)
<i>Net Position Beginning of Year</i>	1,011,816
<i>Net Position End of Year</i>	\$995,537

See accompanying notes to the basic financial statements

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## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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### **Note 1 – Description of the School District and Reporting Entity**

The New Philadelphia City School District (the “School District”) operates under a locally-elected Board form of government and provides educational services as authorized by State statute and/or federal guidelines. This Board controls the School District’s 9 instruction/support facilities staffed by 149 non-certificated employees, 219 certificated full-time teaching personnel and 16 administrative employees who provide services to 3,138 students and other community members.

The School District was established in 1808, the first in the State of Ohio, and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four-year terms.

The School District serves an area of approximately 78 square miles. It is located in Tuscarawas County, and includes all of the City of New Philadelphia, the Village of Stone Creek and portions of nine townships. The School District currently operates eight instructional buildings, a warehouse building, a sports complex and a garage.

#### ***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool, community services, and student related activities of the School District.

***Nonpublic Schools*** Within the School District boundaries, Tuscarawas Central Catholic Junior and Senior High School is operated through the Columbus Catholic Diocese. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the School District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

The component unit columns in the financial statements identify the financial data of the School District’s discretely presented component unit, the Quaker Digital Academy (“the Academy”) (see Note 25). The component unit is discretely reported to emphasize that it is legally separate from the School District. The Quaker Digital Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade through an online educational program. Because the School District appoints a voting majority of the Academy’s governing board and because of the significant services and resources provided by the School District to the Academy, the Academy is included in the School District’s reporting entity. Separately issued financial statements may be obtained from Quaker Digital Academy, 248 Front Avenue S.W., New Philadelphia, Ohio 44663.

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency, Buckeye Joint Vocational School District, Tuscarawas County Tax Incentive Review Council, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Portage Area School Consortium. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Information in the following notes to the basic financial statements is applicable to the primary government. Information for the component unit is presented in Note 25.

### **Note 2 – Summary of Significant Accounting Policies**

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

#### ***Basis of Presentation***

The School District'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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District 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 School District at this more detailed level. The focus of governmental 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.

#### ***Fund Accounting***

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

## New Philadelphia City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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**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 and deferred inflows of resources is reported as fund balance. The following is the School District's major governmental fund:

**General Fund** The general fund is the general operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed, or assigned to a particular purpose.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The School District's only proprietary fund is an internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund that the School District accounts for is a health insurance program, which provides medical benefits to employees.

**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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student managed activities.

### **Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the 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 School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## New Philadelphia City School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016*

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Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position – proprietary fund. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

The private purpose trust fund is accounted for on a flow of economic resources measurement focus.

#### ***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 and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows 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 soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 9). 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a 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: property taxes available as an advance, grants, interest, tuition, student fees, and rentals.

***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 School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016*

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operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the 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 School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and tuition and fees. 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 found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11.)

***Expenditures/Expenses*** 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.

#### ***Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

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

#### ***Cash and Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2016, investments were limited to STAR Ohio and a repurchase agreement. Repurchase agreements are reported at cost.

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016*

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investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$12,419, which includes \$1,174 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

#### ***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### ***Inventory***

Inventories are presented at the lower of cost or market value and donated commodities are presented at their entitlement value. Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption, and donated food and purchased food held for resale.

#### ***Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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Description	Governmental Activities Estimated Lives
Land Improvements	40 years
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	10 years

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position.

***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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

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

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases and long-term loans are recognized as a liability on the financial statements when due.

***Pensions***

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

## New Philadelphia City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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.

***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 the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education 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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for public school support.

***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.

The School District 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.

### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through either external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes summer school, vocational education programs, and other miscellaneous Federal grant programs.

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



## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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### ***Interfund Activity***

Transfers between governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the government-wide statements. Interfund payments for services provided and used are not eliminated.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for health insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 3 – Change in Accounting Principles**

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure, for financial reporting purposes, all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into the fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures, and changes in fund balance – budget (non-GAAP basis) and actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
3. Unrecorded cash represents amounts received but not reported by the School District on the operating statements (budget basis), but which are reported on the GAAP basis operating statements.
4. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund is reclassified to the general fund for GAAP reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$2,167,726
Net Adjustment for Revenue Accruals	(262,391)
Advances In	13,771
Beginning Unrecorded Cash	685
Net Adjustment for Expenditure Accruals	278,591
Advances Out	(214,200)
Perspective Difference:	
Public School Support	9,946
Encumbrances	(218,237)
Budget Basis	<u><u>\$1,775,891</u></u>

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**Note 5 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented as follows:

Fund Balances	General	Other Governmental	Total
<u>Nonspendable:</u>			
Prepays	\$30,250	\$1,997	\$32,247
Inventory	0	5,929	5,929
<i>Total Nonspendable</i>	<u>30,250</u>	<u>7,926</u>	<u>38,176</u>
<u>Restricted for:</u>			
Food Service Operations	0	310,092	310,092
Band Uniforms	0	5,714	5,714
Other Grants	0	34,647	34,647
Student Instruction	0	260,817	260,817
Teacher Development	0	127	127
Athletics	0	119,094	119,094
Community Involvement	0	30,867	30,867
Special Education	0	32	32
Debt Service Payments	0	476,774	476,774
Capital Improvements	0	274,599	274,599
<i>Total Restricted</i>	<u>0</u>	<u>1,512,763</u>	<u>1,512,763</u>
<u>Assigned to:</u>			
Public School Support	55,349	0	55,349
Purchases on Order:			
Instructional Services	49,280	0	49,280
Support Services	73,075	0	73,075
<i>Total Assigned</i>	<u>177,704</u>	<u>0</u>	<u>177,704</u>
Unassigned (Deficit)	<u>5,180,225</u>	<u>(168,401)</u>	<u>5,011,824</u>
<b>Total Fund Balances</b>	<u><u>\$5,388,179</u></u>	<u><u>\$1,352,288</u></u>	<u><u>\$6,740,467</u></u>

**Note 6 – Fund Deficits**

Fund balances at June 30, 2016, included individual fund deficits in the following funds:

	<u>Amount</u>
<i>Special Revenue:</i>	
Juvenile Attention	(\$27,472)
CAFS	(11,755)
Preschool	(14,524)
Title VI-B	(18,542)
Title I	(78,448)
Preschool Grants	(2,244)
Improving Teacher Quality	(13,744)

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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The special revenue funds deficit balances 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.

### **Note 7 – Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$1,286,408 of the School District’s bank balance of \$2,352,928 was exposed to custodial risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC. The carrying amount of the School District’s deposits at fiscal year end was \$2,231,847.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of June 30, 2016, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard &amp; Poor's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value Per Share				
STAR Ohio	\$2,377,438	48.6 days	AAAm	34.05 %
Cost				
Repurchase Agreement	<u>4,604,474</u>	Daily	N/A	65.95
Total Investments	<u><u>\$6,981,912</u></u>			

**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District’s investment policy addresses interest rate risk by requiring the School District’s investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty. The School District has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Credit Risk** STAR Ohio carries a rating of AAAm by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District does not have an investment policy that addresses credit risk.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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**Note 8 – Receivables**

Receivables at June 30, 2016, consisted of taxes, accounts (miscellaneous), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Juvenile Attention Center - County Share	\$153,221
Title I-A Improving Basic Programs Grant	110,686
School Employees Retirement System Refund	100,648
IDEA-B Special Education Grant	59,799
Early Childhood Education Grant	53,951
Title II-A Improving Teacher Quality Grant	30,787
Title I-D Delinquent Grant	7,385
Medicaid in Schools	6,640
Title I-D Neglected Grant	5,986
IDEA Early Childhood Special Education Grant	3,644
School Foundation Payment Report Adjustment	3,230
Total	<u>\$535,977</u>

**Note 9 – Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District’s parameters. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in calendar year 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

## New Philadelphia City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2016, was \$1,864,792 in the general fund, \$68,699 in the debt service fund, and \$20,461 in the permanent improvement capital projects fund. By comparison, the amount available as an advance at June 30, 2015, was \$1,657,377 in the general fund, \$65,579 in the debt service fund, and \$17,890 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$406,923,220	95.53 %	\$409,192,300	95.32 %
Public Utility Personal	19,030,720	4.47	20,112,640	4.68
Total	<u>\$425,953,940</u>	<u>100.00 %</u>	<u>\$429,304,940</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$49.50		\$55.70	

### Note 10 – Risk Management

#### *Property and Liability Insurance*

The School District 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 fiscal year 2016, the School District contracted with Liberty Mutual Insurance for property, inland marine, and liability insurance and fleet coverage as follows:

## New Philadelphia City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents (Replacement Cost)	\$5,000	\$75,066,361
Inland Marine Coverage	250	1,450,616
Crime Insurance	0 - 500	5,000 - 200,000
Electronic Data Processing	100	1,893,702
Automobile Liability	1,000	1,000,000
Uninsured Motorists	250	1,000,000
General Liability		
Per Occurrence	N/A	1,000,000
Annual Limit	N/A	3,000,000

Settled claims have not exceeded this coverage in any of the past three years. There was no significant reduction in insurance coverage from the prior year.

### ***Workers' Compensation***

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Comp Management, A Sedgwick CMS Company, provides administrative, cost control and actuarial services to the GRP.

### ***Employee Medical Benefits***

The School District is a member of the Portage Area School Consortium (the Consortium), a shared risk pool (See Note 20), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the Program) is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

## **Note 11 – 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.



**New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

The net pension liability represents the School District’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 School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District 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 fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – School Employees Retirement System (SERS)***

Plan Description – The School District’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Benefit	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$481,461 for fiscal year 2016. Of this amount \$15,837 is reported as an intergovernmental payable.

#### ***Plan Description – State Teachers Retirement System (STRS)***

Plan Description – The School District's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,883,824 for fiscal year 2016. Of this amount \$280,879 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.10779300%	0.12320180%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.10761540%</u>	<u>0.12198757%</u>	
Change in Proportionate Share	<u>-0.00017760%</u>	<u>-0.00121423%</u>	
Proportionate Share of the Net Pension Liability	\$6,140,639	\$33,713,796	\$39,854,435
Pension Expense	\$401,958	\$1,540,997	\$1,942,955

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$98,876	\$1,536,924	\$1,635,800
School District contributions subsequent to the measurement date	<u>481,461</u>	<u>1,883,824</u>	<u>2,365,285</u>
Total Deferred Outflows of Resources	<u><u>\$580,337</u></u>	<u><u>\$3,420,748</u></u>	<u><u>\$4,001,085</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$203,459	\$2,424,659	\$2,628,118
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>9,062</u>	<u>294,530</u>	<u>303,592</u>
Total Deferred Inflows of Resources	<u><u>\$212,521</u></u>	<u><u>\$2,719,189</u></u>	<u><u>\$2,931,710</u></u>

\$2,365,285 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$76,782)	(\$620,798)	(\$697,580)
2018	(76,782)	(620,798)	(697,580)
2019	(77,250)	(620,798)	(698,048)
2020	<u>117,169</u>	<u>680,129</u>	<u>797,298</u>
Total	<u><u>(\$113,645)</u></u>	<u><u>(\$1,182,265)</u></u>	<u><u>(\$1,295,910)</u></u>

***Actuarial Assumptions – SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). 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.

## New Philadelphia City School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent, net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 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 earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the 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 School District’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 7.75 percent, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$8,514,860	\$6,140,639	\$4,141,349

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District’s net pension liability is expected to be significant.

**Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and are not set back for age 90 and above. Females younger than age 80 are set back four years, set back one year from age 80 through 89, and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
<b>Total</b>	<b>100.00 %</b>	

\*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$46,831,006	\$33,713,796	\$22,621,240

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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### **Note 12 – Postemployment Benefits**

#### ***School Employees Retirement System***

Health Care Plan Description – The School District contributes to the School Employees Retirement System (SERS) Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$54,830.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$54,830, \$79,647, and \$6,286, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

#### ***State Teachers Retirement System***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions.



**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

For the fiscal years ended June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$144,948, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**Note 13 – Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified staff and classified staff. Upon retirement, payment is made for one-fourth of the accrued, unused sick leave credit, up to a maximum of 65 days for certified employees and classified employees.

**Note 14 – Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 06/30/15	Additions	Reductions	Amount Outstanding 06/30/16	Amount Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
2013 Current Interest Bonds	\$1,670,000	\$0	(\$550,000)	\$1,120,000	\$550,000
2014 Current Interest Bonds	645,000	0	(100,000)	545,000	105,000
Total General Obligation Bonds	<u>2,315,000</u>	<u>0</u>	<u>(650,000)</u>	<u>1,665,000</u>	<u>655,000</u>
Net Pension Liability:					
SERS	5,455,342	685,297	0	6,140,639	0
STRS	29,966,941	3,746,855	0	33,713,796	0
Total Net Pension Liability	<u>35,422,283</u>	<u>4,432,152</u>	<u>0</u>	<u>39,854,435</u>	<u>0</u>
Capital Lease	23,261	0	(15,117)	8,144	8,144
Compensated Absences	1,828,724	59,522	(138,557)	1,749,689	152,006
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$39,589,268</u>	<u>\$4,491,674</u>	<u>(\$803,674)</u>	<u>\$43,277,268</u>	<u>\$815,150</u>

On September 12, 2013, the School District issued \$2,245,000 in general obligation refunding bonds. The bonds bear an interest rate of 2.23 percent per annum and mature in various installments through December 1, 2017. The proceeds were used to refund the 2004 general obligation bonds. The bonds are being retired through the debt service fund.

## New Philadelphia City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

On March 21, 2014, the School District issued \$745,000 in general obligation refunding bonds. The bonds bear an interest rate of 2.07 percent per annum and mature in various installments through December 1, 2020. The proceeds were used to refund the HB 264 capital lease for building improvements to the heating and lighting systems in each of its buildings. Under the terms of the lease, the School District was able to upgrade heating and lighting systems in all of its elementary, high school, and middle school complexes. The bonds are being retired through the general fund and the permanent improvement fund.

The School District pays obligations related to employee compensation from the fund benefitting from their service. See Note 11 for additional information related to the net pension liability. Compensated absences will be paid from the general fund and the food service, juvenile attention, auxiliary services, preschool, title VI-B, title I, preschool grants, and improving teacher quality special revenue funds. Capital leases will be paid from the general fund.

The School District's overall legal debt margin was \$37,449,219 with an unvoted debt margin of \$429,305 at June 30, 2016. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Principal	Interest
2017	\$655,000	\$29,039
2018	675,000	14,376
2019	110,000	5,796
2020	110,000	3,519
2021	115,000	1,190
Total	<u>\$1,665,000</u>	<u>\$53,920</u>

### Note 15 – Capital Lease

The School District entered into a capital lease for copiers. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amount capitalized for the copiers and the book value as of June 30, 2016, are as follows:

	Amounts
Asset:	
Equipment	\$219,838
Less: Accumulated Depreciation	(125,948)
Book Value	<u>\$93,890</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30	Amounts
2017	\$8,384
Less: Amount representing interest	(240)
Present Value of Mimimum Lease Payments	<u>\$8,144</u>

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

**Note 16 – Operating Lease**

The School District entered into an operating lease agreement for a postage meter. The lease expired during fiscal year 2016, and was replaced with another lease agreement. Equipment operating lease expense totaled \$3,878 in fiscal year 2016. The following is a schedule by fiscal year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms as of June 30, 2016:

<u>Fiscal Year Ending June 30</u>	<u>Amounts</u>
2017	\$2,591
2018	2,591
2019	2,591
2020	2,591
2021	1,295
Total	<u><u>\$11,659</u></u>

**Note 17 – Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the fiscal year end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2015	\$0
Current Year Set-Aside Requirement	518,005
Current Year Offsets	(161,124)
Qualifying Disbursements	<u>(515,544)</u>
Totals	<u><u>(\$158,663)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-Aside Balance as of June 30, 2016	<u><u>\$0</u></u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero, this amount may not be used to reduce the set-aside requirement of future years. The negative balance is therefore not presented as being carried forward to future years.

**New Philadelphia City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 18 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Governmental Activities:				
Capital assets not being depreciated				
Land	\$1,013,677	\$0	\$0	\$1,013,677
Capital assets being depreciated				
Buildings and improvements	20,953,465	196,673	0	21,150,138
Furniture and equipment	4,730,444	142,045	(327,125)	4,545,364
Vehicles	1,692,785	127,869	(130,938)	1,689,716
Total capital assets being depreciated	27,376,694	466,587	(458,063)	27,385,218
Accumulated depreciation				
Buildings and improvements	(11,654,428)	(427,469)	0	(12,081,897)
Furniture and equipment	(2,789,840)	(242,303)	192,758	(2,839,385)
Vehicles	(996,902)	(106,063)	150,518	(952,447)
Total accumulated depreciation	(15,441,170)	(775,835) *	343,276	(15,873,729)
Capital assets being depreciated, net	11,935,524	(309,248)	(114,787)	11,511,489
Governmental activities capital assets, net	\$12,949,201	(\$309,248)	(\$114,787)	\$12,525,166

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

Instruction:	
Regular	\$494,149
Special	35,233
Vocational	3,041
Support Services:	
Pupil	175
Instructional Staff	15,894
Administration	16,583
Fiscal	1,977
Operation and Maintenance of Plant	30,548
Pupil Transportation	77,709
Operation of Non-Instructional Services	929
Operation of Food Service Services	6,564
Extracurricular Activities	93,033
Total Depreciation Expense	<u>\$775,835</u>

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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### **Note 19 – Jointly Governed Organizations**

#### ***Ohio Mid-Eastern Regional Educational Service Agency***

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. During fiscal year 2016, the School District paid \$146,734 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

#### ***Buckeye Joint Vocational School District***

The Buckeye Joint Vocational School District, which provides vocational education programs, is a distinct subdivision of the State of Ohio operated under a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possessed its own budgeting and taxing authority. During fiscal year 2016, the School District paid \$932 to Buckeye Joint Vocational School District for various items. To obtain financial information, write to Buckeye Joint Vocational School District, Cheryl Pritts, Treasurer, 545 University Drive NE, New Philadelphia, Ohio 44663.

#### ***Tuscarawas County Tax Incentive Review Council***

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 36 members, consisting of 3 members appointed by the County Commissioners, 11 members appointed by municipal corporations, 9 members appointed by township trustees, 1 member from the County Auditor's office, 10 members appointed by boards of education located within the County, 1 member representing the Tuscarawas Community Improvement Corporation, and 1 member representing the Economic Development and Finance Alliance. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2016, the School District made no payments to the TCTIRC.

### **Note 20 – Insurance Purchasing Pool**

#### ***Ohio School Boards Association Workers' Compensation Group Rating Program***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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### ***Portage Area School Consortium***

The Portage Area School Consortium (the Consortium) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone pools, the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5<sup>th</sup>, 1988, to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

The Ohio Revised Code Section 167.04 requires the Consortium to adopt bylaws designating the officers of the Consortium and their method of selection, creating a governing body to act for the Consortium, appointing a fiscal officer, and providing for the conduct of the Consortium's business. The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representation of the member schools. The member school's governing body appoints one representative to the Consortium (usually the superintendent or designee). In the case of a member that is a school district, that representative shall be an executive appointed by the board of education. The Assembly serves without compensation.

### **Note 21 – Contingencies**

#### ***Grants***

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

#### ***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

#### ***Litigation***

The School District is not party to any material legal proceedings.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**Note 22 – Interfund Transactions**

***Interfund Balances***

Interfund balances at June 30, 2016, consisted of the following:

Interfund Payable	Interfund Receivable
	General
<b><i>Other Governmental Funds:</i></b>	
Other Local Grants	\$1,200
Public School Preschool	26,000
Title VI-B	75,000
Title I	89,000
Preschool Grants	5,000
Improving Teacher Quality	18,000
Total	<u><u>\$214,200</u></u>

Interfund receivables and payables are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid.

***Interfund Transfers***

During fiscal year 2016, the general fund transferred \$31,000 to the summer school fund to move unrestricted balances to support programs and projects accounted for in that fund.

**Note 23 – Significant Commitments**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$218,237
Other Governmental Funds	<u>173,897</u>
Total	<u><u>\$392,134</u></u>

**Note 24 – Related Party Transactions**

In fiscal year 2016, the Academy paid the School District \$612,985 for services provided by the School District to the Academy as well as insurance premiums paid by the School District for the Academy.

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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### **Note 25 – Quaker Digital Academy**

The Quaker Digital Academy (the Academy) has been determined to be a discrete component unit. The School District Management has determined it is significant; therefore, it has been included as part of the School District's basic financial statements. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Quaker Digital Academy, 248 Front Avenue S.W., New Philadelphia, Ohio 44663.

#### ***Basis of Presentation***

The Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities and deferred inflows are included on the statement of net position. The Academy uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

#### ***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's basic financial statements are prepared using the accrual basis of accounting.

***Revenues – Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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

#### ***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 Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources related to pension are reported on the statement of net position.



## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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### ***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through either external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net position restricted for other purposes includes special education and educational improvements.

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

### ***Cash and Investments***

At fiscal year end, the carrying amount of the Academy's deposits was (\$13,666) and the bank balance was \$3,865. The deficit carrying balance is covered by the Academy's investment in a repurchase agreement. The Federal Deposit Insurance Corporation (FDIC) covered the entire bank balance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

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

As of June 30, 2016, the Academy had \$4,477,366 invested in a repurchase agreement, which was measured at cost and had a daily maturity.

***Interest Rate Risk*** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Academy's investment policy addresses interest rate risk by requiring the Academy's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty. The Academy has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

***Credit Risk*** The Academy has no investment policy dealing with investment credit risk beyond the requirement of State statute.

***Concentration of Credit Risk*** The Academy places no limit on the amount it may invest in any one issuer.

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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#### ***Pensions***

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

#### ***Compensated Absences***

The Academy reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 Academy will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy.

#### ***Changes in Accounting Principles***

For fiscal year 2016, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Academy's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies – in the context of the current governmental financial reporting environment – the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Academy's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Academy's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**New Philadelphia City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

***Restatement of Net Position***

During fiscal year 2016, it was determined that capital assets had been understated by \$599,765 at June 30, 2015. The correction to capital assets had the following effect on net position as reported June 30, 2015:

Net Position June 30, 2015	\$24,662
Capital Assets Adjustment	599,765
Restated Net Position June 30, 2015	\$624,427

***Capital Assets***

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Furniture and Equipment	5-20 years
Vehicles	10 years

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Restated Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Capital Assets being depreciated:				
Furniture and Equipment	\$895,438	\$65,311	(\$77,730)	\$883,019
Vehicles	66,760	24,322	(17,961)	73,121
Total Capital Assets being depreciated	962,198	89,633	(95,691)	956,140
Accumulated Depreciation:				
Furniture and Equipment	(301,300)	(90,566)	50,157	(341,709)
Vehicles	(37,644)	(7,453)	15,417	(29,680)
Total Accumulated Depreciation	(338,944)	(98,019)	65,574	(371,389)
Total Capital Assets, net	\$623,254	(\$8,386)	(\$30,117)	\$584,751

***Related Party Transactions***

In fiscal year 2016, the Academy paid the School District \$612,985 for services provided by the School District to the Academy as well as insurance premiums paid by the School District for the Academy.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

***Defined Benefit Pension Plans***

The Academy's contractually required contribution to SERS was \$58,976 for fiscal year 2016. Of this amount \$146 is reported as an intergovernmental payable. The Academy's contractually required contribution to STRS was \$180,274 for fiscal year 2016. Of this amount \$6,877 is reported as an intergovernmental payable.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.01314600%	0.01082575%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.01369530%</u>	<u>0.01119586%</u>	
Change in Proportionate Share	<u>0.00054930%</u>	<u>0.00037011%</u>	
Proportionate Share of the Net Pension Liability	\$781,467	\$3,094,208	\$3,875,675
Pension Expense	\$57,280	\$157,525	\$214,805

At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$12,583	\$141,057	\$153,640
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	24,249	83,073	107,322
Academy contributions subsequent to the measurement date	<u>58,976</u>	<u>180,274</u>	<u>239,250</u>
Total Deferred Outflows of Resources	<u>\$95,808</u>	<u>\$404,404</u>	<u>\$500,212</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$25,893</u>	<u>\$222,532</u>	<u>\$248,425</u>

\$239,250 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$1,656)	(\$29,450)	(\$31,106)
2018	(1,656)	(29,450)	(31,106)
2019	(1,716)	(29,450)	(31,166)
2020	<u>15,967</u>	<u>89,948</u>	<u>105,915</u>
Total	<u>\$10,939</u>	<u>\$1,598</u>	<u>\$12,537</u>

***Sensitivity of the Academy'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 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Academy's proportionate share of the net pension liability - SERS	\$1,083,614	\$781,467	\$527,034
Academy's proportionate share of the net pension liability - STRS	4,298,089	3,094,208	2,076,148

***Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

The changes in the Academy's long-term obligations during fiscal year 2016 were as follows:

	<u>Amount Outstanding 06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount Outstanding 06/30/16</u>
Net Pension Liability:				
SERS	\$665,312	\$116,155	\$0	\$781,467
STRS	<u>2,633,197</u>	<u>461,011</u>	<u>0</u>	<u>3,094,208</u>
Total Net Pension Liability	3,298,509	577,166	0	3,875,675
Compensated Absences	<u>0</u>	<u>3,698</u>	<u>0</u>	<u>3,698</u>
<i>Total Long-Term Liabilities</i>	<u>\$3,298,509</u>	<u>\$580,864</u>	<u>\$0</u>	<u>\$3,879,373</u>

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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***Operating Leases***

The Academy is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Academy's basic financial statements. Total costs for such leases were \$103,508 for fiscal year 2016. The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms as of June 30, 2016:

Fiscal Year	Amount
2017	\$103,508
2018	91,408
2019	68,954
2020	62,000
2021	62,000
2022-2025	211,833
Total Minimum Payments Required	<u><u>\$599,703</u></u>

***Contingencies***

***Final Full-Time Equivalency (FTE) Determination*** On June 20, 2016, the Ohio Department of Education (ODE) completed a review of log-in and log-out records and non-classroom documentation, pursuant to Ohio Revised Code Section 3314.08(H). ODE determined that the Academy's FTE for the 2015-2016 school year was 0, which was 100 percent less than the 666.31 FTE reported. The final determination was based on the failure of the Academy to provide any records to ODE that documented duration time for internet-based and/or computer-based learning opportunities as well as non-classroom, non-computer-based learning opportunities. The Academy has appealed the determination to the State Board of Education. A hearing date has not yet been set. No adjustment to the FTE number (and funding) will be made until the Academy exhausts its appeal rights.

***Litigation*** As documented within the Final Full-Time Equivalency (FTE) Determination note above, the Academy is currently appealing the ODE finding of the FTE for the 2015-2016 school year of 0. A hearing date has not yet been set.

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## **Required Supplementary Information**

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**New Philadelphia City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.10761540%	0.10779300%	0.10779300%
School District's Proportionate Share of the Net Pension Liability	\$6,140,639	\$5,455,342	\$6,410,103
School District's Covered Payroll	\$3,353,579	\$3,132,244	\$4,781,676
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	183.11%	174.17%	134.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.



**New Philadelphia City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.12198757%	0.12320180%	0.12320180%
School District's Proportionate Share of the Net Pension Liability	\$33,713,796	\$29,966,941	\$35,696,425
School District's Covered Payroll	\$13,338,414	\$12,561,894	\$14,026,523
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	252.76%	238.55%	254.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

\* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

**New Philadelphia City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$481,461	\$442,002	\$434,129	\$661,784
Contributions in Relation to the Contractually Required Contribution	<u>(481,461)</u>	<u>(442,002)</u>	<u>(434,129)</u>	<u>(661,784)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,439,007	\$3,353,579	\$3,132,244	\$4,781,676
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$634,115	\$619,338	\$596,506	\$336,351	\$511,472	\$513,812
(634,115)	(619,338)	(596,506)	(336,351)	(511,472)	(513,812)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,714,610	\$4,927,112	\$4,405,510	\$3,418,201	\$5,208,473	\$4,861,041
13.45%	12.57%	13.54%	9.84%	9.82%	10.57%

**New Philadelphia City School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,883,824	\$1,867,378	\$1,633,046	\$1,823,448
Contributions in Relation to the Contractually Required Contribution	<u>(1,883,824)</u>	<u>(1,867,378)</u>	<u>(1,633,046)</u>	<u>(1,823,448)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$13,455,886	\$13,338,414	\$12,561,894	\$14,026,523
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$1,803,384	\$1,742,376	\$1,784,112	\$1,444,126	\$1,564,368	\$1,565,832
(1,803,384)	(1,742,376)	(1,784,112)	(1,444,126)	(1,564,368)	(1,565,832)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,872,185	\$13,402,892	\$13,723,938	\$11,108,662	\$12,033,600	\$12,044,862
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass-Through Grantor Program/Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
School Breakfast Program	10.553	2015 / 2016	\$6,584
National School Lunch Program	10.555	2015 / 2016	46,393
Non-Cash Assistance Subtotal			<u>52,977</u>
Cash Assistance:			
School Breakfast Program	10.553	2015 / 2016	128,558
National School Lunch Program	10.555	2015 / 2016	443,480
Cash Assistance Subtotal			<u>572,038</u>
Total Child Nutrition Cluster			<u>625,015</u>
Total U.S. Department of Agriculture			625,015
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2015 S010A150035	84,590 <u>716,743</u>
Total Title I Grants to Local Educational Agencies			801,333
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	2015 H027A150111	37,752 <u>608,078</u>
Total Special Education - Grants to States (IDEA, Part B)			645,830
Special Education - Preschool Grants (IDEA Preschool)	84.173	2015 H173A150119	1,656 <u>28,767</u>
Total Special Education - Preschool Grants (IDEA Preschool)			30,423
Total Special Education Cluster (IDEA)			676,253
Rural Education	84.358	84.358B	43,800
English Language Acquisition State Grants	84.365	2016	787
Improving Teacher Quality State Grants	84.367	2015 S367A150034	3,436 <u>106,128</u>
Total Improving Teacher Quality State Grants			<u>109,564</u>
Total U.S. Department of Education			<u>1,631,737</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$2,256,752</u></u></b>

*The accompanying notes are an integral part of this schedule.*

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Philadelphia City School District (the School District) under programs of the federal government for the year ended June 30, 2016. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or 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 School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE D – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

New Philadelphia City School District  
Tuscarawas County  
248 Front Avenue, SW  
New Philadelphia, Ohio 44663

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 7, 2017, wherein we noted the June 30, 2015 net position of the Quaker Digital Academy, the discretely presented component unit, was restated to correct the capital asset balance. We also noted the Academy is in the process of appealing the Ohio Department of Education's FTE review of zero for the Academy.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 7, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

New Philadelphia City School District  
Tuscarawas County  
248 Front Avenue, SW  
New Philadelphia, Ohio 44663

To the Board of Education:

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

We have audited the New Philadelphia City School District's, Tuscarawas County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the New Philadelphia City School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in Finding 2016-001 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding *Procurement* applicable to its *CFDA 84.010 Title I Grants to Local Educational Agencies* major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the New Philadelphia City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title I Grants to Local Educational Agencies* for the year ended June 30, 2016.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, New Philadelphia City School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2016.

***Other Matters***

The School District's response to our noncompliance finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

***Report on Internal Control over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement 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. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings as item 2016-001.

The School District's response to our internal control over compliance Finding is described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 7, 2017

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**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	
	<ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies - Qualified</li> <li>• Special Education Cluster - Unmodified</li> </ul>	
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR §200.516(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	
	<ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies - CFDA #84.010</li> <li>• Special Education Cluster - CFDA #84.027 and #84.173</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

None

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**1. 2 CFR Part 200.319(a)**

<b>Finding Number</b>	2016-001		
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies CFDA #84.010		
<b>Federal Award Identification Number / Year</b>	2015		
<b>Federal Agency</b>	U.S. Department of Education		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	Yes	<b>Finding Number? (if repeat)</b>	2015-006

**Noncompliance and Material Weakness**

2 CFR Part 200.319(a) requires that all procurement transactions be conducted in a manner providing full and open competition.

During 2016, the School District made small purchases from the 2015 federal Title I, Part D - Neglected program grant. For one out of four transactions tested for procurement requirements, the School District did not maintain price or rate quotations from multiple vendors that would have ensured open competition requirements were satisfied or other documentation that would support that the vendor was a single source provider.

The School District should review Federal and State procurement requirements for the different procurement type of transactions in order to gain a better understanding of what transactions fall under each type of procurement. Supporting documentation should be maintained in order to demonstrate that the School District has met Federal and State procurement requirements. Also, the School District should maintain formal documentation for additional considerations made when selecting a vendor. This will help ensure the School District is in compliance with required Federal procurement regulations.

**Officials' Response:** The purchase in question was prior to the current Treasurer's employment with the District. We are taking steps to ensure this does not happen in the future.



**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
2 CFR PART 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Errors in posting assets, liabilities, receipts, expenditures / expenses, and fund balances/equity.	Partially Corrected	Although financial reporting errors were identified, the errors were not material to the financial statements.
2015-002	2 C.F.R. Part 225, Appendix B (8)(h)(4), time and effort documentation not maintained for salary of Title I teacher.	Fully Corrected	
2015-003	2 C.F.R. Part 215.28, expenditures made outside the period of availability were charged to the Special Education grant.	Partially Corrected	Limited errors were identified which occurred during the audit period.
2015-004	2 C.F.R. Part 225, Appendix B (8)(g)(2), severance payments were paid from the Title I grant.	Full Corrected	
2015-005	34 C.F.R. 80.21(c), revenue received was not expended within the month for which the funds were requested for the Title I and Special Education grants.	Fully Corrected	
2015-006	34 C.F.R. 80.36(c), small purchases for Title I program wherein price or rate quotations from multiple vendors were not maintained.	Not corrected	Finding was repeated as Finding Number 2016-001.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR PART 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The School District will secure three quotes for any procurement that is made using Federal monies. The quotes will be maintained as evidence for due diligence.	March 7, 2017	Julie Erwin, Treasurer



# Dave Yost • Auditor of State

**NEW PHILADELPHIA CITY SCHOOL DISTRICT**

**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  
MARCH 21, 2017**