



Dave Yost • Auditor of State



**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**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 Net Position - Proprietary Fund.....	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund .....	24
Statement of Cash Flows - Proprietary Fund .....	25
Statement of Fiduciary Net Position - Fiduciary Funds.....	26
Statement of Changes in Fiduciary Net Position - Fiduciary Fund .....	27
Notes to the Basic Financial Statements .....	29
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio.....	67
State Teachers Retirement System of Ohio .....	68
Schedule of School District Contributions:	
School Employees Retirement System of Ohio.....	70
State Teachers Retirement System of Ohio .....	72

NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Schedule of Federal Awards Receipts and Expenditures.....	75
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	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 OMB Circular A-133.....	79
Schedule of Findings and Questioned Costs - OMB Circular A-133 § .505 .....	83
Schedule of Prior Audit Findings and Questioned Costs - OMB Circular A-133 § .315(b).....	91
Corrective Action Plan - OMB Circular A-133 § .315(c).....	92



# 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, each 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, 2015, 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, each major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio, as of June 30, 2015, 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 2 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **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 Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 June 9, 2016, 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

June 9, 2016

**This page intentionally left blank.**



## **New Philadelphia City School District**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015*

---

The discussion and analysis of New Philadelphia City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 notes to the basic financial statements and 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 2015 are as follows:

- ❑ In total, net position increased \$3.5 million. This increase was due to the pension liability requirement to comply with GASB 68 from 2014.
- ❑ General revenues accounted for \$26.3 million or 79% of all revenues. Specific program revenues in the form of charges for services, sales, grants and contributions accounted for \$7.1 million or 21% of total revenues of \$33.4 million.
- ❑ The School District had \$29.9 million in expenses related to governmental activities; only \$7.1 million of these expenses were offset by program specific charges for services, grants, or contributions. General revenue (primarily taxes and foundation receipts) of \$26.3 million were sufficient to provide for these programs which led to the increase in net position.
- ❑ The General Fund had \$28.7 million in revenues and \$27.1 million in expenditures. The General Fund's balance increased by \$1.3 million.

### **Using this Annual 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 New Philadelphia City 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 New Philadelphia City School District, the General Fund is by far the most significant fund.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

---

---

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

*Statement of Net Position and the Statement of Activities*

The Statement of Net Position and the Statement of Activities answer the question “How did we do financially during 2015?” These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses*, using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in the 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, the School District activities are listed as Governmental:

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, and extracurricular activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 18. 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 funds. The School District's major governmental fund is the General Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the 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*** Proprietary funds use full accrual accounting.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

---

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

Table 1  
 Net Position  
 Governmental Activities

	<b>2015</b>	<b>Restated 2014</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$22,167,766	\$19,685,383	\$2,482,383
Capital Assets	12,949,201	12,461,195	488,006
<b>Total Assets</b>	<b>35,116,967</b>	<b>32,146,578</b>	<b>2,970,389</b>
Deferred Outflows of Resources			
Pensions	2,644,308	2,070,546	573,762
<b>Total Deferred Outflows of Resources</b>	<b>2,644,308</b>	<b>2,070,546</b>	<b>573,762</b>
<b>Liabilities</b>			
Current and Other Liabilities	3,378,737	3,278,463	100,274
Long Term Liabilities			
Due Within One year	665,117	652,378	12,739
Due in More Than One Year:			
Net Pension Liability	35,422,283	42,106,528	(6,684,245)
Other Liabilities	3,501,868	4,150,225	(648,357)
<b>Total Liabilities</b>	<b>42,968,005</b>	<b>50,187,594</b>	<b>(7,219,589)</b>
Deferred Inflows of Resources			
Property Taxes	12,942,912	12,116,854	826,058
Pension	6,429,415	-	6,429,415
<b>Total Deferred Inflows of Resources</b>	<b>19,372,327</b>	<b>12,116,854</b>	<b>7,255,473</b>
<b>Net Position</b>			
Net Investment in Capital Assets	10,610,941	9,469,254	1,141,687
Restricted	2,559,642	1,556,669	1,002,973
Unrestricted	(37,749,640)	(39,113,247)	1,363,607
<b>Total Net Position</b>	<b>(24,579,057)</b>	<b>(28,087,324)</b>	<b>3,508,267</b>

During 2015 the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions –an Amendment of GASB Statement 27" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain 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.

## New Philadelphia City School District

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015*

---

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.

Under the new standards required by GASB 68, the net pension liability equals 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.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$11,948,658 to (\$28,087,324).

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

Total assets increased by \$3.0 million. Cash and Cash Equivalents increased by \$1.1 million while Capital Assets increased by \$0.5 million. This was offset on the liability side where Long Term Liabilities decreased by \$7.3 million due to the pension restatement.

The increase in current assets shows an increase in the present financial stability of the School District.

Table 2 shows the changes in net position for fiscal year 2015 as compared to fiscal year 2014.

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

	<b>2015</b>	<b>Restated 2014</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$2,833,391	\$2,840,907	(7,516)
Operating Grants	\$4,259,850	2,456,185	1,803,665
Capital Grants	\$12,600	12,600	-
General Revenue:			
Property Taxes	\$14,097,411	10,955,690	3,141,721
Grants and Entitlements	\$11,006,332	11,735,416	(729,084)
Other	\$1,170,376	995,510	174,866
<b>Total Revenue</b>	<b>\$33,379,960</b>	<b>28,996,308</b>	<b>4,383,652</b>
<b>Program Expenses</b>			
Instruction	19,742,285	19,308,115	434,170
Support Services			
Pupil and Instructional Staff	1,879,064	2,052,273	(173,209)
Board of Education, Fiscal and Administration	3,091,652	3,016,715	74,937
Operation and Maintenance	2,634,304	2,710,675	(76,371)
Pupil Transportation	808,924	830,948	(22,024)
Food Service	917,137	857,507	59,630
Non-Instructional Services	340,540	449,569	(109,029)
Extracurricular Activities	404,902	1,305,537	(900,635)
Interest and Fiscal Charges	52,885	168,729	(115,844)
<b>Total Expenses</b>	<b>29,871,693</b>	<b>30,700,068</b>	<b>(828,375)</b>
<b>Change in Net Position</b>	<b>3,508,267</b>	<b>(1,703,760)</b>	<b>5,212,027</b>
<b>Net Position at Beginning of Year (restated)</b>	<b>(28,087,324)</b>	<b>NA</b>	
<b>Net Position at End of Year</b>	<b>(\$24,579,057)</b>	<b>(\$28,087,324)</b>	<b>3,508,267</b>

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

***Governmental Activities***

Several revenue sources fund our 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 \$14.0 million in 2015. 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 approximately 75% of all expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations.

Instruction comprises 66% of governmental program expenses. The decrease of \$0.8 million in total expenses is mainly due to decreases in operational costs.

Table 3  
 Governmental Activities  
 (In Millions)

	Total Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	<u>Change</u>
<b>Program Expenses</b>			
Instruction	19,742,285	19,308,115	434,170
Support Services			
Pupil and Instructional Staff	1,879,064	2,052,273	(173,209)
Board of Education, Fiscal and Administration	3,091,652	3,016,715	74,937
Operation and Maintenance	2,634,304	2,710,675	(76,371)
Pupil Transportation	808,924	830,948	(22,024)
Food Service	917,137	857,507	59,630
Non-Instructional Services	340,540	449,569	(109,029)
Extracurricular Activities	404,902	1,305,537	(900,635)
Interest and Fiscal Charges	<u>52,885</u>	<u>168,729</u>	<u>(115,844)</u>
Total Expenses	<u>29,871,693</u>	<u>30,700,068</u>	<u>(828,375)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,067,175 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,480,787.

**New Philadelphia City School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

---

---

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$29,871,693
Pension expense under GASB 68	(1,480,787)
2015 contractually required contributions	<u>2,309,380</u>
Adjusted 2015 program expenses	30,700,286
Total 2014 programs expenses under GASB 27	<u>30,700,068</u>
Increase in programs expenses not related to pension	<u><u>\$218</u></u>

**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 of \$33.4 million and expenditures of \$31.9 million. The net change in fund balance for the year was a increase of \$1.5 million. The general fund accounted for \$1.3 million of the increase. 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.

***General Fund 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 2015, the School District amended its general fund budget once at the end of the fiscal year. 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, budget basis revenue was slightly higher than the original budget estimates of \$27.1 million.

The original appropriations of \$26.7 million were only slightly increased to \$28.0 million. Expenditures, however, were only \$26.8 million or \$1.2 million less than anticipated due to surplus appropriations in regular instruction, instructional staff, pupil services, administrative, maintenance and extracurricular costs.

The School District's ending unobligated budgetary fund balance was \$1.7 million above the final budgeted amount.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

---

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2015, the School District had \$12.9 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014:

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

	2015	Restated 2014
Land	\$1,013,677	\$929,677
Buildings and Improvements	9,299,037	8,829,430
Furniture and Equipment	1,864,055	1,907,412
Vehicles	772,432	583,926
Construction in progress	-	210,750
	\$12,949,201	\$12,461,195
Totals		

Refer to Note # 7 for further information.

For fiscal year 2015, Ohio law required school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2015, this amounted to \$507,257 for the set aside and the School District had qualifying disbursements or offsets exceeding the requirements. Refer to Note 16 for the set aside calculations.

***Debt***

At June 30, 2015, the School District had \$2.3 million in bonds, \$0.7 million due within one year. Table 5 summarizes bonds outstanding.



**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

Table 5  
 Outstanding Debt at Year End

	Governmental Activities 2015	Governmental Activities 2014
General Obligation Bonds		
2013 School Improvement	\$ 1,670,000	\$ 2,210,000
2014 School Improvement	645,000	745,000
Total	\$ 2,315,000	\$ 2,955,000

Refer to Note # 12 for further information.

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

At June 30, 2015, the School District's overall legal debt margin was \$36,483,394 with an unvoted debt margin of \$425,846. The School District maintains an A-1 bond rating.

**For the Future**

New Philadelphia City School District is still strong financially even with the downturn in the economy. As the preceding information shows, the School District heavily depends on its property taxpayers. The taxpayers approved a 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 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.

**New Philadelphia City School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015*

---

---

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**

This financial report is designed to provide our citizens, taxpayers, and 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.

**New Philadelphia City School District**  
*Statement of Net Position*  
June 30, 2015

	Primary Government	Component Unit
	Governmental Activities	Quaker Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$6,325,301	\$3,742,638
Receivables:		
Taxes	15,439,285	0
Accounts	8,069	0
Intergovernmental	304,561	66,670
Materials and Supplies Inventory	35,101	0
Prepaid Property Insurance	55,449	0
Capital Assets		
Land	1,013,677	0
Depreciable Capital Assets Net	11,935,524	23,489
<i>Total Assets</i>	<u>35,116,967</u>	<u>3,832,797</u>
<b>Deferred Outflows of Resources</b>		
Pension	2,644,308	245,310
<i>Total Deferred Outflows of Resources</i>	<u>2,644,308</u>	<u>245,310</u>
<b>Liabilities</b>		
Accounts Payable	268,786	39,393
Accrued Wages	2,326,675	82,657
Intergovernmental Payable	617,471	37,752
Accrued Interest Payable	4,216	0
Vacation Payable	161,589	0
Long-Term Liabilities:		
Due Within One Year	665,117	0
Due In More Than One Year	3,501,868	0
Net Pension Liability	35,422,283	3,298,509
<i>Total Liabilities</i>	<u>42,968,005</u>	<u>3,458,311</u>
<b>Deferred Inflows of Resources</b>		
Pension	6,429,415	595,134
Property tax levied for the Next Fiscal Year	12,942,912	0
<i>Total Deferred Inflows of Resources</i>	<u>19,372,327</u>	<u>595,134</u>
<b>Net Position</b>		
Net Investment in Capital Assets	10,610,941	37,054
Restricted for:		
Capital Projects	536,092	0
Debt Service	1,274,789	0
Other Purposes	748,761	968
Unrestricted	(37,749,640)	(13,360)
<i>Total Net Position</i>	<u>(\$24,579,057)</u>	<u>\$24,662</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$11,951,349	\$1,315,803	\$257,943	\$12,600
Special	4,483,349	0	3,026,655	0
Vocational	138,345	0	53,269	0
Other	3,169,242	346,085	0	0
Support Services:				
Pupil	1,555,003	0	39,088	0
Instructional Staff	324,061	0	10,929	0
Board of Education	59,759	0	0	0
Administration	2,346,840	0	157,442	0
Fiscal	685,053	0	0	0
Operation and Maintenance of Plant	2,634,304	2,039	0	0
Pupil Transportation	808,924	91	34,126	0
Food Service	917,137	233,719	518,628	0
Operation of Non-Instructional Services	340,540	268,338	161,770	0
Extracurricular Activities	404,902	667,316	0	0
Interest and Fiscal Charges	52,885	0	0	0
<i>Total Governmental Activities</i>	<u>29,871,693</u>	<u>2,833,391</u>	<u>4,259,850</u>	<u>12,600</u>
Component Unit				
Quaker Digital Academy	<u>\$3,992,359</u>	<u>\$0</u>	<u>\$250,053</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)*

*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
(\$10,365,003)	\$0
(1,456,694)	0
(85,076)	0
(2,823,157)	0
(1,515,915)	0
(313,132)	0
(59,759)	0
(2,189,398)	0
(685,053)	0
(2,632,265)	0
(774,707)	0
(164,790)	0
89,568	0
262,414	0
(52,885)	0
(22,765,852)	0
0	(3,742,306)
\$13,398,034	0
537,672	0
161,705	0
11,006,332	4,265,239
7,653	4,472
1,162,723	157,129
26,274,119	4,426,840
3,508,267	684,534
(28,087,324)	(659,872)
(\$24,579,057)	\$24,662

**New Philadelphia City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,210,981	\$1,909,371	\$6,120,352
Receivables:			
Taxes	14,708,166	731,119	15,439,285
Accounts	7,319	750	8,069
Intergovernmental	0	304,561	304,561
Due from Other Funds	13,771	0	13,771
Materials and Supplies Inventory	19,279	15,822	35,101
Prepaid Property Insurance	55,449	0	55,449
<i>Total Assets</i>	<u>19,014,965</u>	<u>2,961,623</u>	<u>21,976,588</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	146,452	122,334	268,786
Accrued Wages	2,087,802	238,873	2,326,675
Intergovernmental Payable	506,083	111,388	617,471
Due to Other Funds	3,386	10,385	13,771
<i>Total Liabilities</i>	<u>2,743,723</u>	<u>482,980</u>	<u>3,226,703</u>
<b>Deferred Inflows of Resources</b>			
Property tax levied for the Next Fiscal Year	13,050,789	663,534	13,714,323
<i>Total Deferred Inflows of Resources</i>	<u>13,050,789</u>	<u>663,534</u>	<u>13,714,323</u>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid Insurance	55,449	0	55,449
Materials and Supplies Inventory	19,279	0	19,279
Restricted:			
Other Purposes	0	910,204	910,204
Debt Service	0	472,218	472,218
Capital Projects	0	525,638	525,638
Unassigned	3,145,725	(92,951)	3,052,774
<i>Total Fund Balances</i>	<u>3,220,453</u>	<u>1,815,109</u>	<u>5,035,562</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$19,014,965</u>	<u>\$2,961,623</u>	<u>\$21,976,588</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, 2015*

<b>Total Governmental Fund Balances</b>	\$5,035,562
 <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.	12,949,201
Delinquent property taxes are not available to pay for current period expenditures and are therefore deferred in the funds.	771,411
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 governmental activities in the statement of net position.	204,949
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 governmental funds.	
Deferred Outflows Pension	2,644,308
Deferred Inflows - Pension	(6,429,415)
Net Pension Liability	(35,422,283)
(39,207,390)	
Accrued interest on bonds payable	(4,216)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,328,574)
<i>Net Position of Governmental Activities</i>	<i>(\$24,579,057)</i>

**New Philadelphia City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$13,439,792	\$707,561	\$14,147,353
Intergovernmental	12,541,067	2,689,987	15,231,054
Interest	7,650	3	7,653
Tuition and Fees	1,591,425	340,931	1,932,356
Extracurricular Activities	161,551	505,765	667,316
Charges for Services	0	233,719	233,719
Contributions and Donations	0	251,212	251,212
Miscellaneous	926,207	33,032	959,239
<i>Total Revenues</i>	<u>28,667,692</u>	<u>4,762,210</u>	<u>33,429,902</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	11,592,577	458,307	12,050,884
Special	3,282,357	1,420,208	4,702,565
Vocational	143,370	0	143,370
Other	3,169,242	0	3,169,242
Support Services:			
Pupil	1,509,536	38,522	1,548,058
Instructional Staff	298,227	65,293	363,520
Board of Education	59,759	0	59,759
Administration	2,302,583	142,010	2,444,593
Fiscal	695,593	0	695,593
Operation and Maintenance of Plant	2,339,827	0	2,339,827
Pupil Transportation	921,359	0	921,359
Operation of Non-Instructional Services	77,916	462,514	540,430
Food Service	0	809,048	809,048
Extracurricular Activities	598,259	476,276	1,074,535
Capital Outlay	0	343,194	343,194
Debt Service:			
Principal Retirement	53,680	600,000	653,680
Interest and Fiscal Charges	10,799	43,262	54,061
<i>Total Expenditures</i>	<u>27,055,084</u>	<u>4,858,634</u>	<u>31,913,718</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>1,612,608</u>	<u>(96,424)</u>	<u>1,516,184</u>
<b>Other Financing Sources (Uses)</b>			
Transfer In	0	315,000	315,000
Transfer Out	(315,000)	0	(315,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(315,000)</u>	<u>315,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,297,608	218,576	1,516,184
<i>Fund Balances Beginning of Year</i>	<u>1,922,845</u>	<u>1,596,533</u>	<u>3,519,378</u>
<i>Fund Balances End of Year</i>	<u>\$3,220,453</u>	<u>\$1,815,109</u>	<u>\$5,035,562</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, 2015*

---



---

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,516,184</b>
---	--------------------

*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 capital outlay exceeded depreciation in the current period.	549,287
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets. There were no proceeds.	(61,280)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(49,942)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	653,680
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,176
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows	2,309,380
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,480,787)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	14,205
The internal service fund used by management to charge the cost of insurance to individual funds is not reported in expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>56,364</u>

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$3,508,267</u></u>
--	---------------------------

**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, 2015*

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Taxes	\$12,425,000	\$12,435,900	\$12,939,789	\$503,889
Intergovernmental	12,490,000	12,490,000	12,764,930	274,930
Interest	9,500	9,500	7,611	(1,889)
Tuition and Fees	1,394,850	1,394,850	1,310,621	(84,229)
Rentals	4,800	4,500	2,311	(2,189)
Miscellaneous	811,350	811,350	924,948	113,598
<i>Total Revenues</i>	<u>27,135,500</u>	<u>27,146,100</u>	<u>27,950,210</u>	<u>804,110</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,511,482	11,891,482	11,521,893	369,589
Special	3,223,850	3,358,950	3,273,718	85,232
Vocational	143,550	165,550	141,208	24,342
Other	3,025,000	3,225,000	3,157,560	67,440
Support Services:				
Pupil	1,537,564	1,663,564	1,507,053	156,511
Instructional Staff	296,388	302,588	295,931	6,657
Board of Education	58,000	90,600	80,628	9,972
Administration	2,223,687	2,389,487	2,294,787	94,700
Fiscal	694,800	715,700	691,268	24,432
Operation and Maintenance of Plant	2,462,527	2,608,027	2,399,812	208,215
Pupil Transportation	1,021,300	1,056,300	921,276	135,024
Central	6,000	6,000	4,079	1,921
Extracurricular Activities	483,200	558,200	496,598	61,602
<i>Total Expenditures</i>	<u>26,687,348</u>	<u>28,031,448</u>	<u>26,785,811</u>	<u>1,245,637</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>448,152</u>	<u>(885,348)</u>	<u>1,164,399</u>	<u>2,049,747</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	2,100	2,100	2,100	0
Advances Out	0	0	(13,771)	(13,771)
Transfers In	0	0	5,097	5,097
Transfers Out	0	0	(315,000)	(315,000)
<i>Total Other Financing Sources (Uses)</i>	<u>2,100</u>	<u>2,100</u>	<u>(321,574)</u>	<u>(323,674)</u>
<i>Net Change in Fund Balance</i>	450,252	(883,248)	842,825	1,726,073
<i>Fund Balance Beginning of Year</i>	3,148,260	3,148,260	3,148,260	0
Prior Year Encumbrances Appropriated	<u>64,848</u>	<u>64,848</u>	<u>64,848</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,663,360</u>	<u>\$2,329,860</u>	<u>\$4,055,933</u>	<u>\$1,726,073</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Net Position*  
*Proprietary Fund*  
*June 30, 2015*

---

---

	<u>Governmental Activities - Internal Service</u>
<b>Assets</b>	
<b>Current</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$204,949</u>
<i>Total Assets</i>	<u>204,949</u>
<b>Net Position</b>	
Unrestricted	<u>204,949</u>
<i>Total Net Position</i>	<u><u>\$204,949</u></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, 2015*

---

---

	<u>Governmental Activities - Internal Service</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$4,283,375</u>
<i>Total Operating Revenues</i>	<u>4,283,375</u>
<b>Operating Expenses</b>	
Fringe Benefits	<u>4,227,011</u>
<i>Total Operating Expenses</i>	<u>4,227,011</u>
<i>Operating Income</i>	<u>56,364</u>
<i>Net Position Beginning of Year</i>	<u>148,585</u>
<i>Net Position End of Year</i>	<u><u>\$204,949</u></u>

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, 2015*

---

---

	<u>Governmental Activities - Internal Service</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Transactions With Other Funds	\$4,283,375
Cash Payments for Premiums	<u>(4,227,011)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>56,364</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>148,585</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$204,949</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$56,364
Adjustments:	
None	<u>0</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$56,364</u></u>
See accompanying notes to the basic financial statements	

**New Philadelphia City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,011,816	\$56,815
<i>Total Assets</i>	1,011,816	56,815
<b>Liabilities</b>		
Due to Students	0	56,815
<i>Total Liabilities</i>	0	\$56,815
<b>Net Position</b>		
Held in Trust for Scholarships	1,011,816	
<i>Total Net Position</i>	\$1,011,816	

See accompanying notes to the basic financial statements

*New Philadelphia City School District*  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Interest	\$1,148
<b>Deductions</b>	
Other operating expense	26,000
<i>Changes in Net Position</i>	(24,852)
<i>Net Position at Beginning of Year</i>	1,036,668
<i>Net Position at End of Year</i>	\$1,011,816

See accompanying notes to the basic financial statements

**This page intentionally left blank**



## **New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015*

---

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

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 eight instructional/support facilities staffed by 147 non-certificated employees, 214 certificated full time teaching personnel and 16 administrative employees who provide services to 3,083 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 9 townships. The School District is the 147th largest in the State of Ohio (among 609 school districts) in terms of enrollment. The School District currently operates seven instructional buildings, one warehouse building, a sports complex and one garage.

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

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

***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. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has one component unit, The Quaker Digital Academy (“the Academy”) (See Note 18). The School District appoints a voting majority of the Academy’s governing board.

The School District is associated with three jointly governed organizations and one public entity risk pool. These organizations are presented in Note 15 to the financial statements. These organizations are:

**Jointly Governed Organizations:**

Ohio Mid-Eastern Regional Education Service Association  
Buckeye Joint Vocational School  
Tuscarawas County Tax Incentive Review Council

**Public Entity Risk Pool:**

Ohio School Boards Association Workers’ Compensation Group Rating Program

## New Philadelphia City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

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

The financial statements of New Philadelphia City 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. The most significant of the School District's accounting policies are described below.

#### ***A. 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. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at 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 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. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

#### ***B. 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. There are three categories of funds: governmental, proprietary and fiduciary.

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

## New Philadelphia City School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

---

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 accounts for all financial resources except those required to be accounted for 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 use is restricted to a particular purpose and also accounts for the School District's capital projects and debt service.

**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** Internal service funds account 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 and are used to account for student managed activities.

### C. Measurement Focus

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position – Proprietary Funds. The Statement of Changes in Fund Net

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

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 proprietary activities.

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements.

Agency funds do not report a measurement focus, as they do not report operations.

#### ***D. Basis of Accounting***

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

***Revenues - Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 5.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, interest, tuition, grants, student fees and rentals.

***Deferred Inflows of Resources and Deferred Outflows of Resources*** - A deferred inflow of resources is an acquisition of net position by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations has been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2015, are recorded as deferred inflows on the governmental fund financial statements.

## New Philadelphia City School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

#### ***E. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

***Estimated Resources*** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015.

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

***Lapsing of Appropriations*** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

#### ***F. Cash and Cash Equivalents***

Cash received by the School District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. STAR 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 investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015. Repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$7,650 which includes \$2,677 assigned from other School District funds.

For presentation on the financial statements, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

#### ***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2015 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.

#### ***H. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

purchased.

***I. Capital Assets***

Capital assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except 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:

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

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

***K. Compensated Absences***

The School District 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 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.

## New Philadelphia City School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

---

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

#### ***L. 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 judgements, compensated absences, special termination benefits and contractually required pension contributions 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 year. Bonds, capital leases and long-term loans are recognized as a liability on the financial statements when due.

#### ***M. 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 classification includes amounts that cannot be spent because they are not in a spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*Committed* - The committed fund balance classification includes amounts that can only be used for the specific purposes imposed by a formal action (resolution) of the School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specific 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. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the treasurer authority to constrain monies for intended uses.



**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

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

The School District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed assigned or unassigned) fund balance is 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.

***N. Net Position***

Net Position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows or resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***O. 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.

***P. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During fiscal year 2015, the School District had no capital contributions.

***Q. Interfund Activity***

Transfers between governmental activities on the government-wide statements are 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.

**New Philadelphia City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2015.

***S. Estimates***

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

***T. 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 deferred charges on refunding and 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 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, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 9)

***U. 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.

***V. Change in Accounting Principles and Restatement of Net Position***

For fiscal year 2015, the School District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the School District's pension plan disclosures, as presented in Note 9 to the financial statements, and added required supplementary information which is presented on pages 67 – 73.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No. 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental <u>Activities</u>
Net position at June 30, 2014	\$11,948,658
Adjustments:	
Net Pension Liability	(42,106,528)
Deferred Outflows - Payments Subsequent to Measurement Date	2,070,546
Restated Net Position at July 1, 2014	<u><u>(\$28,087,324)</u></u>

**Note 3 - Budgetary Basis of Accounting**

While the School District is reporting 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 Balances - 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 and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) as opposed to assigned or committed fund balances for that portion of outstanding encumbrances not already recognized as an accounts payable (GAAP).

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

---

4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP)

5. Some funds are included in General Fund (GAAP but have separate legally adoptive budgets.

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

Net Change in Fund Balance Major General Fund	
GAAP Basis	1,297,608
Net Adjustment For Revenue Accruals	(550,064)
Net Adjustment for Expenditure Accruals	185,732
Net Adjustment for Other Sources/Uses	(8,285)
Funds Budgeted Elsewhere	5,025
Adjustment for Encumbrances	<u>(87,191)</u>
Budget Basis	<u><u>842,825</u></u>

**Note 4 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands upon the School District treasury. Such 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 monies are public deposits that the Board of Education 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 monies must be evidenced by time certificates of deposit or by savings or deposit accounts including passbook accounts.

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

## New Philadelphia City School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

---

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

Protection of School District deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by company surety bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand:** At June 30, 2015, the School District had \$200 in cash on hand, which is reported on the financial statements as “equity in pooled cash and cash equivalents.”

**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 the possession of an outside party. At year end, \$1,284,715 of the School District's bank balance of \$2,406,104 was exposed to custodial risk

## New Philadelphia City School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

because it was uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the School District's name. The carrying amount of the School District's deposits at year end were \$2,221,291.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires the deposits be either insured or be protected by eligible securities pledged to and deposited 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 and five percent of the deposits being secured.

**Investments:** As of June 30, 2015, the School District had the following Investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$870,014	Daily
Repurchase Agreement	<u>4,302,427</u>	Daily
Total Portfolio	<u>\$5,172,441</u>	

Interest rates 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 risk by requiring the School District's investment portfolio 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.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirement of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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 they are uninsured, unregistered, and held by the counter party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made upon the delivery of securities representing such investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Concentration of Credit Risk:** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% Total</u>
Star Ohio	\$ 870,014	17.00
Repurchase Agreement	4,302,427	83.00

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

**Note 5- Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District 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 personal property located in the School District. Property tax revenue received during calendar year 2015 for real and public utility property taxes represents collections of calendar year 2014 taxes. Property tax payments received during calendar 2015 for tangible personal property (other than public utility property) are for prior year delinquent taxes.

2015 real property taxes are levied after April 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. Public utility property taxes received in calendar year 2015 became a lien December 31, 2013, are levied after April 1, 2014 and are collected in 2015 with real property taxes.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$406,881,730	95.74%	\$406,923,220	95.53%
Public Utility Personal	18,115,100	4.26	19,030,720	4.47
Total	<u>\$424,996,830</u>	<u>100.00%</u>	<u>\$425,953,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.50		\$49.50	

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

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 County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District 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. By comparison, the amount available to the School District as an advance at June 30, 2014, was \$1,086,313 in the general fund, \$53,582 in the debt service fund and \$14,959 in the permanent improvement capital projects.

**Note 6 - Receivables**

Receivables at June 30, 2015, consisted of taxes, accounts (rent and student fees), 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amount</b>
Public Preschool	\$49,810
Juvenile Attention Center	137,506
Title I	79,493
Title IV-B	<u>37,752</u>
<i>Total Governmental Activities</i>	<u><u>\$304,561</u></u>



**New Philadelphia City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 7 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Restated Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
<b>Governmental Activities</b>				
Land	\$929,677	\$84,000	\$0	\$1,013,677
Buildings and Improvements	20,059,715	893,750	0	20,953,465
Furniture and Equipment	4,584,992	308,283	(162,831)	4,730,444
Vehicles	1,654,229	231,223	(192,667)	1,692,785
Construction In Progress	210,750	0	(210,750)	0
<b>Totals at Historical Cost</b>	<b>\$27,439,363</b>	<b>\$1,517,256</b>	<b>(\$566,248)</b>	<b>\$28,390,371</b>
Less Accumulated Depreciation:				
Buildings and Improvements	(\$11,230,285)	(\$424,143)	\$0	(\$11,654,428)
Furniture and Equipment	(2,677,580)	(319,454)	130,645	(2,866,389)
Vehicles	(1,070,303)	(13,623)	163,573	(920,353)
<b>Total Accumulated Depreciation</b>	<b>(14,978,168)</b>	<b>(757,220) *</b>	<b>294,218</b>	<b>(15,441,170)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$12,461,195</b>	<b>\$760,036</b>	<b>(\$272,030)</b>	<b>\$12,949,201</b>

Adjustments among the furniture and equipment and vehicles classifications were necessary to better report capital assets by type. These changes are reflected in the restated balance at June 30, 2014. There was no effect on the total Governmental Activities Capital Assets, Net balance at June 30, 2014.

**New Philadelphia City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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

Instruction:	
Regular	\$480,830
Special	34,859
Vocational	3,044
Support Services:	
Pupil	178
Instructional Staff	15,949
Administration	16,594
Fiscal	2,008
Operation and Maintenance of Plant	27,432
Pupil Transportation	76,824
Food Service	6,445
Extracurricular Activities	93,057
	<hr/>
Total Depreciation Expense	<u><u>\$757,220</u></u>

## **Note 8 - Risk Management**

### ***A. Property and Liability***

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 2015, the School District contracted with Ohio Casualty Insurance for property and inland marine, liability insurance, and fleet coverage.

#### Building and Contents -

replacement cost (\$5,000 deductible)	\$74,922,361
Inland Marine Coverage (\$250-\$500 deductible)	1,450,616
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	25,000-200,000
Electronic data Processing (\$100 deductible)	1,893,702
Automobile Liability (\$1000 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	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.

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

### ***B. Workers' Compensation***

For fiscal year 2015, the School District participated in the Ohio Association of Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP.

### ***C. Employee Medical Benefits***

The School District is a member of the Portage Area School Consortium (the 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 consortium Health and Welfare Insurance pool. These pools were established by the consortium on August 5, 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.

Beginning July 1, 2009, the School District is a member of the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool (See Note 19), 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 9 - Defined Benefit Pension Plans**

### ***Net Pension Liability***

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

The net pension liability represents the School District's proportionate share of each pension plan's

## New Philadelphia City School District

### Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

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 year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

#### **A. School Employee Retirement System**

Plan Description – School District 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:

	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.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty 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.

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$442,002 for fiscal year 2015. Of this amount \$14,245 is reported as an intergovernmental payable.

### **B. State Teachers Retirement System**

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 will be 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 two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five 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 will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five 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, member contributions are allocated among investment choices by the member, and employer contributions 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

## New Philadelphia City School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

---

of services. 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,867,378 for fiscal year 2015. Of this amount \$264,773 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, 2014, 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>
Proportionate Share of the Net Pension Liability	\$5,455,342	\$29,966,941	\$35,422,283
Proportion of the Net Pension Liability	10.779300%	12.3201800%	
Pension Expense	\$318,353	\$1,162,434	\$1,480,787

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$46,431	\$288,497	\$334,928
School District contributions subsequent to the measurement date	<u>442,002</u>	<u>1,867,378</u>	<u>2,309,380</u>
Total Deferred Outflows of Resources	<u><u>\$488,433</u></u>	<u><u>\$2,155,875</u></u>	<u><u>\$2,644,308</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u><u>\$885,417</u></u>	<u><u>\$5,543,998</u></u>	<u><u>\$6,429,415</u></u>

\$2,309,380 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 year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$209,747)	(\$1,313,875)	(\$1,523,622)
2017	(209,747)	(1,313,875)	(1,523,622)
2018	(209,747)	(1,313,875)	(1,523,622)
2019	<u>(209,745)</u>	<u>(1,313,876)</u>	<u>(1,523,621)</u>
Total	<u><u>(\$838,986)</u></u>	<u><u>(\$5,255,501)</u></u>	<u><u>(\$6,094,487)</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.

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.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets 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	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**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 each plan's net pension liability would be if it were calculated using a



**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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	\$7,783,152	\$5,455,342	\$3,497,453

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
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 no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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
Total	<u>100.00 %</u>	

***Discount Rate*** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

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, 2014. 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, 2014.

***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	\$42,900,944	\$29,966,941	\$19,029,128

**C. 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 Retirement System. As of June 30, 2013, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 10 - Postemployment Benefits**

***School Employees Retirement System***

Health Care Plan Description - The School District contributes to the 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

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

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 basic 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 2015, 0.82 percent 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 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$52,148.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$79,647, \$6,286, and \$7,183, respectively. For fiscal year 2015, 97 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$144,948, and \$130,246 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

#### **Note 11 - 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 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 260 days for classified staff. Upon retirement, payment is made for one fourth of the accrued, but unused sick leave credit, up to a maximum of 65 days for certified employees and 65 days for classified employees.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Note 12 - Long - Term Liabilities**

The changes in the School District's long-term liabilities during the year consist of the following:

	Principal Outstanding 6/30/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
2013 Current Interest Bonds	\$2,210,000	\$0	\$540,000	\$1,670,000	\$550,000
2014 Current Interest Bonds	\$745,000	0	100,000	645,000	100,000
	<u>2,955,000</u>	<u>0</u>	<u>640,000</u>	<u>2,315,000</u>	<u>650,000</u>
Net Pension Liability:					
STRS	\$35,696,425		5,729,484.00	29,966,941	0
SERS	\$6,410,103		954,761	5,455,342	0
Total Net pension Liability	<u>42,106,528</u>	<u>-</u>	<u>6,684,245</u>	<u>35,422,283</u>	<u>0</u>
Capital Leases	36,941	0	13,680	23,261	15,117
Compensated Absences	<u>1,810,663</u>	<u>18,061</u>	<u>0</u>	<u>1,828,724</u>	<u>0</u>
Long-Term Liabilities	<u>\$46,909,132</u>	<u>\$18,061</u>	<u>\$7,337,925</u>	<u>\$39,589,268</u>	<u>\$665,117</u>

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.

The School District refunded the capital lease to reduce its total debt service over the next 7 years by \$53,475 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$45,983.

The School District entered into a lease agreement in compliance with HB 264 which allowed the School District to lease certain building improvements to the heating and lighting systems in each of its building. 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 savings generated by the upgrades will be used to make the lease payments each year.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

Under the terms of the agreement, if the School District fails to have savings greater than the cost of the lease, the difference will be made up by the contractor.

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 School District refunded the 2004 general obligation bonds to reduce its total debt service over the next 5 years by \$158,799 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$102,426.

On September 1, 1992, the School District issued \$8,785,000 in voted general obligation bonds for the purpose of constructing a new high school and middle school additions under the authority of Ohio Revised Code Chapter 133. The bonds were issued for a twenty-five year period with a final maturity during fiscal year 2017. The debt will be retired from the revenue generated by a 3.1 mill bond levy approved by the School District voters in 1992, and will be paid from the Debt Service Fund.

On June 3, 2004 the School District issued \$6,543,888 in general obligation refunding bonds. The bonds bear interest rates ranging from 2.00 to 4.375 percent per annum and mature in various installments through December 1, 2017. The proceeds were used to refund the 1992 general obligation bonds.

The School District refunded the 1992 general obligation bonds to reduce its total debt service over the next 13 years by \$981,276 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$746,400.

Compensated Absences will be paid from the fund where the employee's salary is paid. Capital Leases will be paid from the General Fund.

At June 30, 2015, the School District's overall legal debt margin was \$36,483,394 with an unvoted debt margin of \$425,846. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30	2013 Current Interest Bonds			2014 Current Interest Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 550,000	\$ 31,108	\$ 581,108	\$ 100,000	\$ 12,317	\$112,317
2017	550,000	18,844	568,844	105,000	10,195	115,195
2018	570,000	6,355	576,355	105,000	8,021	113,021
2019	0	0	0	110,000	5,796	115,796
2020	0	0	0	110,000	3,519	113,519
2021	0	0	0	115,000	1,190	116,190
Total	<u>\$ 1,670,000</u>	<u>\$ 56,307</u>	<u>\$1,726,307</u>	<u>\$ 645,000</u>	<u>\$ 41,038</u>	<u>\$686,038</u>

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

**Note 13 - Capitalized Leases - Lessee Disclosure**

The School District entered into a capitalized lease for copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

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, 2015.

Fiscal Year		
Ending June 30,		Lease Payments
2016		16,769
2017		8,384
Total minimum lease payments		25,153
Less: amount representing interest		(1,892)
Present value of minimum lease payments		\$23,261

**Note 14 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

**B. 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, 2015*

---

### ***C. Foundation Funding***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, 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, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

### **Note 15 – Jointly Governed Organizations and Public Entity Risk Pool**

#### ***A. Jointly Governed Organizations***

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 educational 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. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952. During fiscal year 2015 the school paid \$219,497 to OME-RESA for various services.

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 11 participating school districts' elected boards, which possessed its own budgeting and taxing authority. To obtain financial information, write to Buckeye Joint Vocational School District, Cheryl Pritts, who serves as treasurer, 545 University Drive NE, New Philadelphia, Ohio, 44663. During fiscal year 2015, \$2,817 was paid to Buckeye Joint Vocational School District for various items.

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 three members appointed by the County Commissioners, 11 members appointed by municipal corporations, nine members appointed by township trustees, one member from the county auditor's office, 10 members appointed by boards of education located within the county, one member representing the Tuscarawas Community Improvement Corporation, and one 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 2015, no monies were paid to the TCTIRC from the School District.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

The School District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

**B. Public Entity Risk Pool**

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.

**Note 16 - Set-Aside Calculations**

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

		Capital
		Acquisition
Set-aside Reserve Balance as of June 30, 2014		\$ -
Current Year Set Aside Requirement		507,257
Contributions in Excess of the Current Fiscal Year Set Aside Requirement.		0
Current Year Qualifying Disbursements		(387,650)
Current Year Offsets		(442,408)
Waiver granted by the Department of Education		
Prior Year Offset from Bond Proceeds		0
Totals		(322,801)
Balance Carried Forward to Fiscal Year 2015		-
Set Aside Reserve Balance as of June 30, 2015		\$ -

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This 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, 2015*

---

### **Note 17 – Legal Compliance**

#### **A. Deficit Fund Balances**

The Title IV-B, Title I, Title IV-B ECSE, Summer School and Title II-A had deficit balances as of June 30, 2015 of \$16,216, \$43,598, \$1,758, \$6,564 and \$24,815. These deficits arose due to the recognition of accrued liabilities and will be made up in the next fiscal year once state and federal grants are allocated.

### **Note 18 – Quaker Digital Academy**

The Quaker Digital Academy (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.

#### **A. 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.

#### **B. Basis of Accounting**

*Revenues - Exchange and Nonexchange Transactions* - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 expense requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the statements of net position reports 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) until then. For the Academy, deferred outflows of resources have been reported for the following two items related to the Academy's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the Academy's contributions to the pension systems subsequent to the measurement date. In addition to liabilities, the statement of net position reports 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 inflow of resources are reported for the net difference between projected and actual earnings on pension plan investments related to the Academy's net pension liability.

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

*Net Position* - Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

### **C. Cash and Investments**

At fiscal year end the carrying amount of the Academy's deposits was (\$5,668) and the bank balance was \$13,832. The deficit carrying balance is covered by the Academy's investments 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% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as 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.

*Investments* – The Academy had \$3,748,306 invested in repurchase agreements as of June 30, 2015. It had a daily maturity.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

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

*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 investment or collateral securities that are in the possession of an outside party. 100% of the Academy's investments is in repurchase agreements.

### **D. 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, 2015*

---

**E. Changes in Accounting Principles**

For fiscal year 2015, the Academy has implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68”.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Academy’s pension plan disclosures.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The net position at July 1, 2014 have been restated as follows:

	Quaker
	Digital
	<u>Academy</u>
Net position at June 30, 2014	\$3,059,858
Adjustments:	
Net Pension Liability	(3,918,397)
Deferred Outflows - Payments Subsequent to Measurement Date	198,667
Restated Net Position at July 1, 2014	<u><u>(\$659,872)</u></u>

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

**F. Capital Assets**

Property and equipment are recorded at cost if purchased or at estimated fair market value at the date of donation. Expenses for major additions and improvements are capitalized. Minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The Academy reports capital asset depreciation using the straight-line method over the estimated useful life. Furniture and equipment useful life is from five to 20 years and vehicles useful life is ten years.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

---

A summary of capital assets at June 30, 2015 consisted of the following:

	<u>Amount</u>
Furniture and Equipment	\$12,554
Vehicles	24,500
Subtotal	37,054
Accumulated Depreciation	(13,565)
Net Capital Assets	<u>\$23,489</u>

**G. Related Party Transactions**

In fiscal year 2015 the Academy paid the School District \$591,774, for services provided by the School District to the Academy as well as insurance premiums paid by the School District for the Academy.

**H. Defined Benefit Pension Plans**

*Net Pension Liability*

The Academy's contractually required contribution to SERS was \$54,383 for fiscal year 2015. Of this amount \$45 is reported as an intergovernmental payable. The Academy's contractually required contribution to STRS was \$145,736 for fiscal year 2015. Of this amount \$4,475 is reported as an intergovernmental payable.

The net pension liability was measured as of June 30, 2014, 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>
Proportionate Share of the Net Pension Liability	\$665,312	\$2,633,197	\$3,298,509
Proportion of the Net Pension Liability	0.013146%	0.0108258%	
Pension Expense	\$38,826	\$104,073	\$142,899

At June 30, 2015, 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>			
Difference between expected and actual experience	\$5,663	\$25,350	\$31,013
Academy contributions subsequent to the measurement date	<u>54,383</u>	<u>159,914</u>	<u>214,297</u>
Total Deferred Outflows of Resources	<u>\$60,046</u>	<u>\$185,264</u>	<u>\$245,310</u>

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Deferred Inflows of Resources**

Net difference between projected and

actual earnings on pension plan investments	<u>\$107,982</u>	<u>\$487,152</u>	<u>\$595,134</u>
---	------------------	------------------	------------------

\$214,297 reported as deferred outflows of resources related to pension resulting from the Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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>
2016	(\$25,566)	(\$115,450)	(\$141,016)
2017	(25,566)	(115,450)	(141,016)
2018	(25,566)	(115,450)	(141,016)
2019	<u>(25,621)</u>	<u>(115,451)</u>	<u>(141,072)</u>
Total	<u>(\$102,319)</u>	<u>(\$461,801)</u>	<u>(\$564,120)</u>

***Actuarial Assumptions***

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 each plan's 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 <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Academy's proportionate share of the net pension liability - SERS	\$949,202	\$665,312	\$426,535
Academy's proportionate share of the net pension liability - STRS	\$3,769,709	\$2,633,197	\$1,672,091

**Note 19 - 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 5th, 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.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Note 20 – Other Commitments**

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

Fund Type	Year -End Encumbrances
General Fund	\$87,191
Nonmajor governmental funds	191,656
	<hr/>
Total	\$278,847
	<hr/> <hr/>

**Note 21 - Operating Leases - Lessee Disclosure**

The School District entered into an operating lease agreement for a postage meter which expires during 2016.

Equipment operating lease expense totaled \$3,444 in 2015. The agreement is non-cancelable and provides for minimum annual leases as follows:

Fiscal Year Ending June 30,	Lease Payments
2016	2,583
Total	\$2,583
	<hr/> <hr/>

**Note 22 – Interfund Transfers**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer to	Transfers From
	General Fund
Other Governmental	\$315,000
	<hr/> <hr/>

The General Fund transferred \$225,000 to the Permanent Improvement Fund for capital purchases including technology, \$60,000 to the Permanent Improvement Stadium fund for future expenses for the replacement of the artificial turf, \$30,000 to the Summer School Fund to offset program costs.

**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 Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.107793%	0.107793%
School District's Proportionate Share of the Net Pension Liability	\$5,455,342	\$6,410,104
School District's Covered-Employee Payroll	\$3,132,244	\$4,781,676
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	174.17%	134.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented 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 Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.1232018%	0.1232018%
School District's Proportionate Share of the Net Pension Liability	\$29,966,941	\$35,696,425
School District's Covered-Employee Payroll	\$12,561,894	\$14,026,523
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	238.55%	254.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.



**This page intentionally left blank**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$442,002	\$434,129	\$661,784	\$634,115
Contributions in Relation to the Contractually Required Contribution	<u>(442,002)</u>	<u>(434,129)</u>	<u>(661,784)</u>	<u>(634,115)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,353,579	\$3,132,244	\$4,781,676	\$4,714,610
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$619,338	\$596,506	\$336,351	\$511,472	\$513,812	\$518,861
<u>(619,338)</u>	<u>(596,506)</u>	<u>(336,351)</u>	<u>(511,472)</u>	<u>(513,812)</u>	<u>(518,861)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,927,112	\$4,405,510	\$3,418,201	\$5,208,473	\$4,861,041	\$4,904,168
12.57%	13.54%	9.84%	9.82%	10.57%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,867,378	\$1,633,046	\$1,823,448	\$1,803,384
Contributions in Relation to the Contractually Required Contribution	<u>(1,867,378)</u>	<u>(1,633,046)</u>	<u>(1,823,448)</u>	<u>(1,803,384)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$13,338,414	\$12,561,894	\$14,026,523	\$13,872,185
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,742,376	\$1,784,112	\$1,444,126	\$1,564,368	\$1,565,832	\$1,626,408
<u>(1,742,376)</u>	<u>(1,784,112)</u>	<u>(1,444,126)</u>	<u>(1,564,368)</u>	<u>(1,565,832)</u>	<u>(1,626,408)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,402,892	\$13,723,938	\$11,108,662	\$12,033,600	\$12,044,862	\$12,510,831
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**This page intentionally left blank**

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>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	2014 / 2015	10.553	\$7,173	\$7,173
National School Lunch Program	2014 / 2015	10.555	40,627	40,627
			<u>47,800</u>	<u>47,800</u>
Cash Assistance:				
School Breakfast Program	2014 / 2015	10.553	104,681	104,681
National School Lunch Program	2014 / 2015	10.555	423,412	423,412
Cash Assistance Subtotal			<u>528,093</u>	<u>528,093</u>
Total Child Nutrition Cluster			<u>575,893</u>	<u>575,893</u>
Total U.S. Department of Agriculture			575,893	575,893
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	2014	84.010	89,865	93,810
	2014		18,155	13,980
	2015		683,406	683,956
	2015		76,658	78,124
Total Title I Grants to Local Educational Agencies			<u>868,084</u>	<u>869,870</u>
Special Education Cluster:				
Special Education_Grants to States	2014	84.027	17,257	20,667
	2015		583,804	590,771
Total Special Education - Grants to States			<u>601,061</u>	<u>611,438</u>
Special Education_Preschool Grants	2015	84.173	29,966	28,310
Total Special Education Cluster			631,027	639,748
Rural Education	2014	84.358	38,800	43,800
Improving Teacher Quality State Grants	2015	84.367	135,017	131,581
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	2014	84.395	-	3,150
Total U.S. Department of Education			<u>1,672,928</u>	<u>1,688,149</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u><u>\$2,248,821</u></u>	<u><u>\$2,264,042</u></u>

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

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the New Philadelphia City School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C – 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 programs 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, each 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, 2015, 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 June 9, 2016, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider a material weakness. We consider Finding 2015-001 to be a material weakness.

***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*.

***School District's Response to Findings***

The School District's response to the Finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

***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.



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

June 9, 2016



# 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 OMB CIRCULAR A-133

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) *Circular A-133, 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, 2015. The *Summary of Auditor's Results* in the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs.

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

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

The School District's basic financial statements include the operations of the Quaker Digital Academy, which received \$226,982 in federal awards which is not included in the School District's Schedule of Federal Awards Receipts and Expenditures for the year ended June 30, 2015. Our audit of Federal awards, described below, did not include the operations of the Quaker Digital Academy because the component unit is legally separate from the primary government which this report addresses, and

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

[www.ohioauditor.gov](http://www.ohioauditor.gov)

because it expended less than \$500,000 of Federal awards for the year ended June 30, 2015, it was not subject to OMB Circular A-133 audit requirements.

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies and Special Education Cluster***

As described in Findings 2015-004 through 2015-006 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-004	84.010	Title I Grants to Local Educational Agencies	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2015-005	84.010	Title I Grants to Local Educational Agencies	Cash Management
2015-005	84.027 & 84.173	Special Education Cluster	Cash Management
2015-006	84.010	Title I Grants to Local Educational Agencies	Procurement and Suspension and Debarment

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to these programs.

***Qualified Opinion on Title I Grants to Local Educational Agencies and Special Education Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies and Special Education Cluster* paragraph, the 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 and Special Education Cluster for the year ended June 30, 2015.

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

In our opinion, the 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 and Questioned Costs for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003. These Findings did not require us to modify our compliance opinion on each major federal program.

The School District's responses to our noncompliance Findings are described in the accompanying Corrective Action Plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

### ***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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

*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 and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 through 2015-006 to be material weaknesses.

*A significant deficiency in internal control 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003 to be significant deficiencies.

The School District's responses to our internal control over compliance findings are described in the accompanying Corrective Action Plan. We did not audit the School District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

June 9, 2016

**This page intentionally left blank.**

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**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 control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<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>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	
	<ul style="list-style-type: none"> <li>• Child Nutrition Cluster - Unmodified</li> <li>• Title I Grants to Local Educational Agencies - Qualified</li> <li>• Special Education Cluster - Qualified</li> </ul>	
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	
	<ul style="list-style-type: none"> <li>• Child Nutrition Cluster - CFDA #'s 10.553 and 10.555</li> <li>• Title I Grants to Local Educational Agencies - CFDA # 84.010</li> <li>• Special Education Cluster - CFDA #'s 84.027 and 84.173</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2015-001**

**Material Weakness**

The School District should maintain an accounting system and accounting records sufficient to enable the School District to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with generally accepted accounting principles.

As a result of audit procedures performed, errors were noted in the School District's financial statements and GAAP conversion that required audit adjustments and reclassifications as follows:

- The School District utilized an incorrect employer percentage allocation to calculate the beginning net pension liability as well as incorrectly calculated contributions to pension systems. As a result, the restated opening equity was understated by \$4,174,835. Additionally, the restated fiscal year 2014 and fiscal year 2015 Due in More than One Year – Net Pension Liability was overstated by \$4,170,823, and the restated fiscal year 2014 Deferred Outflow of Resources for Pension was understated by \$4,012;
- Due to errors in the calculation and posting of the net pension liability and related deferred inflows and outflows of resources, the following misstatements were identified:
  - Due in More than One Year – Net Pension Liability, Deferred Inflows of Resources for Pension and Deferred Outflows of Resources for Pension were understated by \$621,228, \$1,490,425 and \$2,162,701, respectively;
  - Instructional Staff Expense, Administration Expense, Fiscal Expense, Operations and Maintenance of Plant Expense, Pupil Transportation Expense, Operations of Non-Instructional Services Expense and Extracurricular Activities Expense were understated by \$2,630, \$2,213, \$5,466, \$42,854, \$7,837, \$20,110 and \$35,504, respectively;
  - Regular Instruction Expense, Special Instruction Expense, Vocational Instruction Expense, Pupil Support Expense, Food Service Operations Expense and Community Service Expense were overstated by \$7,432, \$98,612, \$750, \$13,776, \$32,254 and \$14,838, respectively;
- The School District incorrectly identified \$161,589 in Vacations Payable as Accrued Wages and Benefits;
- Opening Equity on the full accrual Governmental Activities Statement of Activities financial statement was not correctly brought forward from the prior year as two funds' activity were not properly rolled forward as follows:
  - The Race to the Top fund's prior year ending balance of \$3,150 was improperly excluded, and current year expenses of \$3,150 were improperly excluded;
  - Federal Miscellaneous Grant opening equity of (\$5,000) was improperly excluded from reporting. Prior year accrued activity of \$38,800 in Operating Grants and Contributions and \$43,800 in Instructional Staff Expense were not properly reversed out of the current year financial statements resulting in the activity being reported in fiscal year 2014 and fiscal year 2015;



**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2015-001 (Continued)**

**Material Weakness (Continued)**

- The School District's instruction expense / expenditures in their Title I fund were Special Instruction Expense / Expenditure. They were improperly reported as Regular Instruction Expense / Expenditure. This resulted in \$858,206 in Special Instruction Expense being reported as Regular Instruction Expense on the Statement of Activities and \$883,984 in Special Instruction Expenditures being reported as Regular Instruction Expenditures in the fund financial statements;
- Program and General Revenues on the Statement of Activities were not correctly identified by the School District as required under Governmental Standards Accounting Board (GASB) Statement No. 34, paragraphs 48 through 52 as the following occurred:
  - The School District received \$1,646,408 from the State of Ohio that was required to be utilized for Special Instruction, Vocational Instruction and Pupil Transportation for children with special educational needs. This revenue was incorrectly identified as a General Revenue classified as Grants and Entitlements Not Restricted to Specific Programs. However, all are Programs Revenues. \$1,559,013 should have been classified as Operating Grants and Contributions reported against Special Instruction Expense, \$53,269 should have been classified as Operating Grants and Contributions reported against Vocational Instruction Expense, and \$34,126 should be classified as Operating Grants and Contributions reported against Pupil Transportation Expense;
  - The School District received \$1,245,340 in Tuition and Fees. This was correctly identified as Charges for Services Program Revenues in accordance with GASB 34, Paragraph 49. However, the entire amount was presented against Other Instruction Expense and not against the expense related to the purpose of the revenue. \$1,243,210 in Charges for Services received from tuition passed through the State for student instruction should have been reported against Regular Instruction Expense, \$91 in Charges for Services received from transportation fees should have been reported against Pupil Transportation and \$2,039 in Charges for Services received from building rentals should have been reported against Operation and Maintenance of Plant Expense;
  - Program Revenues of \$1,078,146 were correctly identified as Operating Grants and Contributions; however, they were not presented properly against the actual expenses each operating grant was utilized for. As a result, Operating Grants and Contributions reported against Regular Instruction Expense and Instructional Staff Expense were overstated by \$1,020,587 and \$57,559, respectively. Additionally, Operating Grants and Contributions reported against Special Instruction, Pupil Support, Administration and Operation of Non-Instructional Services were understated by \$1,025,787, \$39,088, \$13,098 and \$173, respectively;
- GASB 54 was implemented several years ago and defined the reporting of fund balances in the fund financial statements. The following misstatements were identified:
  - The School District identified deficit fund balances in aggregate of \$92,951 across several non-major Other Governmental funds. GASB 54, Paragraphs 17 and 19 required this amount to be reported as an Unassigned Fund Balance; however, it was incorrectly reported as Restricted for Other Purposes;

NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)

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

FINDING NUMBER 2015-001 (Continued)

Material Weakness (Continued)

- The School District utilized pre-GASB 54 accounting on their trial balances and reported reservation of fund balances. These reservations were then reported as "Assigned for Subsequent Year Appropriations" in the General Fund and nonmajor Other Governmental Funds. This method does not conform to GASB 54 as reservations and any related considerations were eliminated from reporting. As a result, \$1,657,377 in General Fund Unassigned Fund Balance was incorrectly identified as "Assigned for Subsequent Year Appropriations." Other Governmental Funds Restricted for Debt Service of \$65,579, Restricted for Capital Projects of \$40,230 and Restricted for Other Purposes of \$85,978 were incorrectly reported as "Assigned for Subsequent Year Appropriations";
- Internal Service Fund expenses were reported as Claims Expense. However, the School District's Internal Service Fund was no longer self-insured and does not pay claims. It collected employee and employer portions of insurance and paid premiums. As a result \$4,227,011 in Fringe Benefits were improperly reported as Claims Expense;
- Opening Equity on the modified accrual fund financial statements was not correctly brought forward from the prior year as three funds' activity were not properly rolled forward as follows:
  - The Race to the Top fund's prior year ending balance of \$3,150 was improperly excluded, and current year expenses of \$3,150 were improperly excluded;
  - Federal Miscellaneous Grant opening equity was improperly overstated by \$5,000. Prior year accrued activity of \$38,000 in Intergovernmental Revenue and \$43,000 in Instructional Staff Expenditures were not properly reversed out of the current year fund financial statements resulting in the activity being reported in fiscal year 2014 and fiscal year 2015;
  - The Teacher In-Service Fund's prior year ending balance of \$127 was improperly carried forward as \$569. There was no activity in fiscal year 2015; therefore, to adjust for the year, the School District reported Instructional Staff Expenditures of \$442. As a result, the beginning balance and current year Instructional Staff Expenditures were overstated by \$442.

Sound financial reporting is the responsibility of the School District and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate. The School District financial statements have been adjusted accordingly.

To help ensure the School District financial statements are complete and accurate, the School District should adopt policies and procedures to identify and correct errors and omissions in reporting.

**Officials' Response:** The pension note was prepared by the former Treasurer and LGS. There was some confusion regarding the entries needed. Going forward, LGS has been hired for the GAAP compilation so the issue should resolve itself.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)**

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

<b>Finding Number</b>	2015-002
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies CFDA #84.010
<b>Federal Award Number / Year</b>	2014/2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance, Significant Deficiency and Questioned Cost – Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

2 C.F.R. Part 225, Appendix B (8)(h)(4) provides that where employees work on multiple activities or cost objectives (i.e. in part on a federal program and in part on activities funded from other revenue sources), a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

The School District moved expenses for the salary of one Attention Center teacher to be paid from Title I funds from the 2014 grant year. The School District failed to maintain time and effort documentation to support the amount paid from the Title I grant, resulting in questioned costs of \$19,078.

Time and effort logs should be an "after the fact" representation of the hours worked. Therefore, the logs should be completed in a reasonably short time after the end of the period the log is meant to cover. The School District should review the guidelines regarding the completion of the time and effort documentation (i.e. timesheets or logs) and take the necessary measures to ensure the requirements are met.

**Officials' Response:** See Corrective Action Plan.

<b>Finding Number</b>	2015-003
<b>CFDA Title and Number</b>	Special Education Cluster CFDA #'s 84.027 and 84.173
<b>Federal Award Number / Year</b>	2014/2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance, Significant Deficiency and Questioned Cost – Period of Availability**

2 C.F.R. 215.28 provides that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)**

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

**FINDING NUMBER 2015-003 (Continued)**

**Noncompliance, Significant Deficiency and Questioned Cost – Period of Availability (Continued)**

The period of availability for the fiscal year 2015 Special Education grant began July 1, 2014 and extended through June 30, 2015, with a liquidation period through September 30, 2015. The School District charged a mileage reimbursement of \$329 for the period of March through June 2014 to the 2015 grant, resulting in projected questioned cost of \$5,655. Additionally, the School District charged July and August 2015 payroll expenditures for two Special Education employees of \$10,841 to the 2015 grant. Failure to charge within the funding period resulted in a total questioned cost of \$16,496.

The School District should review grant documents and guidance which stipulate the period of availability for federal funding. The School District should take necessary measures to help ensure only allowable expenditures incurred within the period of availability are charged to the grant. To help ensure the period of availability compliance requirements are met, the School District should implement additional internal controls.

**Officials' Response:** See Corrective Action Plan.

<b>Finding Number</b>	2015-004
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies CFDA #84.010
<b>Federal Award Number / Year</b>	2014/2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance, Material Weakness and Questioned Cost – Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

2 C.F.R. Part 225, Appendix B (8)(g)(2) states severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost in accordance with their indirect cost allocation plan.

Similarly, question 3-6 of ASMB C-10, an A-87 Implementation Guide for State, Local, and Indian Tribal Governments developed by the U.S. Department of Health and Human Services, clarifies that employee severance payments must be treated as an indirect cost even if the employee worked on the same Federal program during their entire employment.

The School District charged 100% of two Title I teachers' severance pay totaling \$46,207 to the Title I grant.

As a result of the matter noted above, we have identified a total of \$46,207 of known questioned costs for the severance payments of the two Title I teachers allocated to the Title I grant.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**FINDING NUMBER 2015-004 (Continued)**

**Noncompliance, Material Weakness and Questioned Cost – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Continued)**

The School District should charge severance payments to the General Fund unless an indirect cost allocation plan is developed, at which time severance payments may be allocated to all funds of the School District.

**Officials' Response:** See Corrective Action Plan.

<b>Finding Number</b>	2015-005
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies CFDA #84.010 and Special Education Cluster CFDA #'s 84.027 and 84.173
<b>Federal Award Number / Year</b>	2014/2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R. 80.20(b)(7) provides procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 C.F.R. Part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds must be expended within the period of time for which cash is requested.

Four instances were noted which Special Education funding was not timely expended within the month for which the request was made. These instances accounted for 20% of the project cash requests tested from the Special Education major federal program.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)**

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

**FINDING NUMBER 2015-005 (Continued)**

**Noncompliance and Material Weakness – Cash Management (Continued)**

Four instances were noted in which Title I revenue received was not timely expended within the month requested and two instances in which delinquent Title I advances were not timely expended within the month requested. These six instances accounted for 40% of the project cash requests tested from the Title I major federal program.

The School District should review grant documents and guidance which stipulate cash management requirements. The School District should only advance revenue to cover expenditures for the period for which the funds were requested. To help ensure compliance with cash management requirements, the School District should implement additional internal controls.

**Officials’ Response:** See Corrective Action Plan.

<b>Finding Number</b>	2015-006
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies CFDA #84.010
<b>Federal Award Number / Year</b>	2014/2015
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Procurement and Suspension and Debarment**

34 C.F.R. 80.36(c) requires that all procurement transactions be conducted in a manner providing full and open competition. Furthermore, 34 C.F.R. 80.36(d)(1) requires price or rate quotations to be received from an adequate number of qualified sources for small purchases of \$100,000 (41 U.S.C. 403(11)) or less.

During 2015, the School District made small purchases for the federal Title I, Part A program. For four out of 10 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 four procurement type of transactions (Small Purchases, Procurement by Sealed Bids, Procurement by Competitive Proposals and Procurement from Noncompetitive Proposals) 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:** See Corrective Action Plan.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	2 C.F.R. 215.28, expenditures made outside the period of availability were charged to the Special Education grant.	No	Repeated as Finding 2015-003.
2014-002	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.	No	Repeated as Finding 2015-005.
2014-003	34 C.F.R. Subtitle A Part 80, Subpart C, 80.20(b)(1), amounts reported on the project cash requests did not agree with the School District's accounting system.	Yes	Corrected

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-002	<p>We will require Time and Effort using the semi-annual certification forms and the employee time sheets.</p> <p>Amounts will not be moved from other line items unless they are to correct a transaction.</p>	01/01/2016	Julie Erwin, Treasurer
2015-003	Expenditures will be monitored in order to ensure the proper period of availability is used.	01/01/2016	Julie Erwin, Treasurer
2015-004	Severance pay will not be charged to the federal fund line items.	01/01/2016	Julie Erwin, Treasurer
2015-005	Project Cash Requests will be remitted to Ohio Department of Education monthly. The fund will be reimbursed the federal monies rather than requesting in advance. The General Fund will have an appropriate balance to cover the request until received.	01/01/2016	Julie Erwin, Treasurer
2015-006	<p>The School District will follow the current procurement policy. When applicable, the School District will bid projects and maintain the bids.</p> <p>The School District belongs to Co-op purchasing and will use those vendors when possible.</p>	01/01/2016	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  
JUNE 21, 2016**