



OHIO AUDITOR OF STATE
KEITH FABER



**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY
JUNE 30, 2019**

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TUSCARAWAS COUNTY
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2019, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio, as of June 30, 2019, 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.

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 February 5, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2020

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New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

It is a privilege to present to you the financial picture of the New Philadelphia City School District (the "School District"). This discussion and analysis of the School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. The financial statements of the component unit are issued as a separate report and are available by contacting the Quaker Digital Academy (the "Academy").

Financial Highlights

Key financial highlights for the 2019 fiscal year are as follows:

- The increase in net position was mainly due to a significant decrease in the net OPEB liability. The net OPEB liability represents the School District's proportionate share of the unfunded benefits of the SERS and STRS OPEB plans. The decrease in the net OPEB liability was related to the STRS OPEB plan. Because of changes in plan benefits and changes in assumptions, STRS' total OPEB liability decreased significantly, resulting in a net OPEB asset for fiscal year 2019, since STRS' fiduciary net OPEB position exceeded the total OPEB liability.
- The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and voted to suspend cost-of-living adjustments (COLA), and SERS also decreased their COLA assumption. As a result of these changes, pension expense decreased from \$4,221,065 in fiscal year 2017 to a negative pension expense of \$11,629,552 for fiscal year 2018. For fiscal year 2019, pension expense increased to \$3,779,542 closer to the 2017 pension expense amount.
- Capital projects begun in the prior fiscal year and completed in fiscal year 2019 included modular classrooms at the West Elementary and South Elementary schools and phase one of the boiler project at the high school. Continuing projects begun in fiscal year 2019 include the renovation of the Quaker Dome preschool and phase two of the boiler project at the high school.

Using this Financial Report

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

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund is by far the most significant fund.

New Philadelphia City School District
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For the Fiscal Year Ended June 30, 2019
Unaudited

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-75 of this report.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The statement of net position and the statement of activities answer this question. These statements include *all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

New Philadelphia City School District
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Unaudited

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

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

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for fiscal year 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	\$22,460,432	\$23,865,324	(\$1,404,892)
Net OPEB Asset	2,089,684	0	2,089,684
Capital Assets, Net	13,302,932	12,698,630	604,302
<i>Total Assets</i>	<u>37,853,048</u>	<u>36,563,954</u>	<u>1,289,094</u>
Deferred Outflows of Resources			
Pension	10,374,377	11,851,071	(1,476,694)
OPEB	742,490	369,388	373,102
<i>Total Deferred Outflows of Resources</i>	<u>11,116,867</u>	<u>12,220,459</u>	<u>(1,103,592)</u>
Liabilities			
Current Liabilities	4,189,377	3,896,140	293,237
Long-Term Liabilities:			
Due Within One Year	438,662	457,286	(18,624)
Due in More Than One Year:			
Net Pension Liability	35,473,206	36,604,128	(1,130,922)
Net OPEB Liability	3,376,018	7,928,181	(4,552,163)
Other Amounts	2,111,255	2,274,294	(163,039)
<i>Total Liabilities</i>	<u>45,588,518</u>	<u>51,160,029</u>	<u>(5,571,511)</u>
Deferred Inflows of Resources			
Property Taxes	13,321,912	13,367,729	(45,817)
Pension	2,277,870	1,539,926	737,944
OPEB	3,538,450	928,726	2,609,724
<i>Total Deferred Inflows of Resources</i>	<u>19,138,232</u>	<u>15,836,381</u>	<u>3,301,851</u>
Net Position			
Net Investment in Capital Assets	12,644,537	12,140,197	504,340
Restricted	1,101,512	1,355,046	(253,534)
Unrestricted (Deficit)	(29,502,884)	(31,707,240)	2,204,356
<i>Total Net Position</i>	<u>(\$15,756,835)</u>	<u>(\$18,211,997)</u>	<u>\$2,455,162</u>

New Philadelphia City School District
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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources one can see the overall position of the School District has improved as evidenced by the increase in net position. Unrestricted net position primarily contributed to this increase primarily as a result of the decrease in the net OPEB liability.

The decrease in current assets was primarily related to a decrease in equity in pooled cash and cash equivalents that mainly resulted from capital asset purchases. The decrease in equity in pooled cash and cash equivalents was partly offset by a related increase in capital assets. Significant capital asset purchases included the high school boilers projects and the Quaker Dome remodel.

Total assets increased mainly due to the net OPEB asset. Because of changes in plan benefits and changes in assumptions, STRS' total OPEB liability decreased significantly, resulting in a net OPEB asset for fiscal year 2019 since STRS' fiduciary net OPEB position exceeded the total OPEB liability.

Deferred outflows of resources decreased due to the decrease in deferred outflows related to pension, which was primarily related to the STRS pension plan changes in assumptions.

Liabilities decreased mainly due to significant decreases in the net OPEB liability and net pension liability. The net pension liability and net OPEB liabilities represent the School District's proportionate share of the unfunded benefits of the SERS and STRS pension and OPEB plans. The decreases in the net pension liability and net OPEB liability were related to the STRS pension and OPEB plans. As indicated previously, changes in pension and OPEB benefits, contribution rates, and return on investments affect the balance of these liabilities.

New Philadelphia City School District
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Deferred inflows of resources increased due primarily to the increase in deferred inflows related to OPEB, which was primarily a result of the STRS OPEB plan changes in assumptions.

Table 2 shows the changes in net position for fiscal year 2019 compared to fiscal year 2018.

Table 2
Change in Net Position
Governmental Activities

	2019	2018	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$2,842,772	\$2,612,966	\$229,806
Operating Grants, Contributions, and Interest	4,457,265	4,117,401	339,864
Capital Grants and Contributions	25,306	103,250	(77,944)
<i>Total Program Revenues</i>	7,325,343	6,833,617	491,726
<i>General Revenues</i>			
Property Taxes	15,414,954	13,853,671	1,561,283
Payments in Lieu of Taxes	0	67,236	(67,236)
Grants and Entitlements	13,602,092	13,444,323	157,769
Investment Earnings	209,831	75,298	134,533
Miscellaneous	148,981	567,479	(418,498)
<i>Total General Revenues</i>	29,375,858	28,008,007	1,367,851
Total Revenues	36,701,201	34,841,624	1,859,577
<i>Program Expenses</i>			
Instruction:			
Regular	14,259,032	7,006,769	7,252,263
Special	6,133,315	3,352,050	2,781,265
Vocational	76,314	7,957	68,357
Support Services:			
Pupil	1,658,974	737,412	921,562
Instructional Staff	450,812	322,122	128,690
Board of Education	134,050	173,484	(39,434)
Administration	2,948,126	1,725,583	1,222,543
Fiscal	788,405	736,711	51,694
Business	0	497	(497)
Operation and Maintenance of Plant	2,965,209	2,569,049	396,160
Pupil Transportation	1,090,760	862,589	228,171
Central	92,589	78,993	13,596
Operation of Food Services	952,012	799,375	152,637
Operation of Non-Instructional Services	1,155,788	926,196	229,592
Extracurricular Activities	1,516,882	1,112,453	404,429
Interest and Fiscal Charges	23,771	19,025	4,746
<i>Total Program Expenses</i>	34,246,039	20,430,265	13,815,774
Change in Net Position	2,455,162	14,411,359	(11,956,197)
Net Position Beginning of Year	(18,211,997)	(32,623,356)	14,411,359
Net Position End of Year	(\$15,756,835)	(\$18,211,997)	\$2,455,162

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Governmental Activities

General revenues accounted for the majority of all revenues. Specific program revenues in the form of charges for services, operating grants, contributions, and interest, and capital grants and contributions accounted for the remaining portion of total revenues.

Several revenue sources fund governmental activities, with property taxes being the largest contributor. The last increase in property tax levies by the citizens of the School District was in November 2017, when they passed a replacement and increase permanent improvement levy of 1.0 mill, which began collection in calendar year 2019. In addition, the emergency levy that was originally approved by the voters in 2014 was renewed in May 2018 for an additional five years. Property tax revenues increased from the prior fiscal year for a few reasons. In the prior fiscal year, property taxes had decreased due to a decrease in the amount available as an advance and a decrease in delinquent taxes due to the write-off of uncollectable taxes. In fiscal year 2019, the amount available as an advance increased. Total cash basis property tax collections remained comparable to fiscal year 2018, since the permanent improvement levy increase that was collected for only the second half of fiscal year 2019 was comparable to the bond retirement levy that finished collections in the first half of fiscal year 2018.

Grants and entitlements, with the majority coming from the school Foundation program, is the other significant revenue contributor. With the combination of taxes and grants and entitlements funding the significant portion of all expenses in governmental activities, the School District monitors both of these revenue sources very closely for fluctuations.

Instruction composes the most significant portion of governmental program expenses. The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost-of-living adjustments (COLA), and SERS also decreased their COLA assumption. As a result of these changes, pension expense decreased from \$4,221,065 in fiscal year 2017 to a negative pension expense of \$11,629,552 for fiscal year 2018. For fiscal year 2019, pension expense increased to \$3,779,542 closer to the 2017 pension expense amount.

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

New Philadelphia City School District
Management's Discussion and Analysis
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Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program Expenses				
Instruction:				
Regular	\$14,259,032	\$12,806,164	\$7,006,769	\$5,612,700
Special	6,133,315	2,881,367	3,352,050	582,981
Vocational	76,314	1,614	7,957	(45,871)
Support Services:				
Pupil	1,658,974	1,658,684	737,412	736,021
Instructional Staff	450,812	371,797	322,122	305,960
Board of Education	134,050	134,050	173,484	173,484
Administration	2,948,126	2,844,796	1,725,583	1,583,266
Fiscal	788,405	788,405	736,711	736,711
Business	0	0	497	497
Operation and Maintenance of Plant	2,965,209	2,947,104	2,569,049	2,358,908
Pupil Transportation	1,090,760	1,041,757	862,589	749,646
Central	92,589	92,589	78,993	78,993
Operation of Food Services	952,012	40,956	799,375	(83,969)
Operation of Non-Instructional Services	1,155,788	648,400	926,196	507,881
Extracurricular Activities	1,516,882	639,242	1,112,453	280,415
Interest and Fiscal Charges	23,771	23,771	19,025	19,025
<i>Total</i>	<u>\$34,246,039</u>	<u>\$26,920,696</u>	<u>\$20,430,265</u>	<u>\$13,596,648</u>

The dependence upon general revenues for governmental activities is apparent; the majority of expenses are supported through property taxes, grants and entitlements, and other general revenues.

The School District's Funds

Information about the School District's major fund starts on page 18. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds had a decrease in fund balance for fiscal year 2019 due to an increase in expenditures, partly offset by an increase in revenues. The increase in expenditures was mainly related to increases in regular and special instruction, pupil and administration support services, and capital outlay due to increases in salaries and the corresponding benefits and capital outlay for some large projects. The increase in revenues was due to the prior fiscal year's decrease in the amount available as an advance from the County Auditor as well as an increase in the amount available as an advance at the end of fiscal year 2019. The general fund also had a decrease in fund balance for fiscal year 2019 due to an increase in expenditures and other financing uses, offset by an increase in revenues. The increases in expenditures and other financing uses were mainly related to increases in regular instruction expenditures and transfers out to other governmental funds. Revenue increases included property taxes, intergovernmental, and interest. The overall decrease in fund balance indicates the School District's current revenue base is not 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.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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 2019, the School District amended its general fund budget a few times. Requests for budget changes are made by the building administrators. Final approval is obtained from the Treasurer and Superintendent and is presented to the Board of Education for their adoption.

For the general fund, original budgeted revenue was lower than final budgeted revenue. Actual revenue and other financing sources came in a little higher than the final budget estimate, mainly due to higher than anticipated intergovernmental and tuition and fees revenues.

Original budgeted expenditures and other financing uses were lower than final budgeted expenditures and other financing uses. Actual expenditures were only slightly more than final budgeted expenditures due to encumbrances.

The School District's ending unobligated budgetary fund balance was higher than the final budgeted amount due to actual revenue exceeding the final budget estimate.

Capital Assets and Debt Administration

Capital Assets

Capital assets net of depreciation increased overall, with significant additions during fiscal year 2019. Projects begun in the prior fiscal year and completed in fiscal year 2019 included modular classrooms at the West Elementary and South Elementary schools and phase one of the boiler project at the high school. Construction in progress includes the renovation of the Quaker Dome preschool and phase two of the boiler project at the high school. Some of the other asset additions included a hot water boiler at South Elementary and buses.

The School District's capitalization threshold for capital assets was set at \$500. For additional information on capital assets, see Note 11 to the basic financial statements.

Debt Administration

In March of 2014, the School District refinanced the HB264 capital lease project and issued school improvement bonds.

In June 2018, the School District issued \$420,000 in school improvement bonds for the purpose of acquiring and installing boilers at the high school.

At June 30, 2019, the School District's overall legal debt margin was \$41,952,046 with an unvoted debt margin of \$472,912.

For additional information on long-term obligations, see Notes 15 and 16 to the basic financial statements.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Challenges and Opportunities

The New Philadelphia City School District is still strong financially. As the preceding information shows, the School District heavily depends on its property taxpayers. The taxpayers renewed a 6.5 mill emergency levy in May 2018 after approving the replacement and increase in the permanent improvement levy during the same fiscal year.

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 decision.

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

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

Contacting the School District's Financial Management Personnel

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

Basic Financial Statements

New Philadelphia City School District

Statement of Net Position

June 30, 2019

	Primary Government	Component Unit
	Governmental Activities	Quaker Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$6,380,469	\$4,665,106
Accounts Receivable	6,878	0
Intergovernmental Receivable	638,552	115,568
Accrued Interest Receivable	17,767	0
Prepaid Items	47,846	27,065
Materials and Supplies Inventory	2,801	0
Inventory Held for Resale	6,336	0
Property Taxes Receivable	15,359,783	0
Net OPEB Asset	2,089,684	207,888
Nondepreciable Capital Assets	1,870,613	0
Depreciable Capital Assets, Net	11,432,319	367,577
<i>Total Assets</i>	<u>37,853,048</u>	<u>5,383,204</u>
Deferred Outflows of Resources		
Pension	10,374,377	1,295,054
OPEB	742,490	128,036
<i>Total Deferred Outflows of Resources</i>	<u>11,116,867</u>	<u>1,423,090</u>
Liabilities		
Accounts Payable	223,921	17,544
Contracts Payable	181,690	0
Accrued Wages and Benefits Payable	2,976,145	85,726
Intergovernmental Payable	739,534	37,083
Retainage Payable	39,229	0
Matured Compensated Absences Payable	27,312	0
Accrued Interest Payable	1,546	0
Long-Term Liabilities:		
Due Within One Year	438,662	913,883
Due in More Than One Year:		
Net Pension Liability (See Note 13)	35,473,206	3,763,369
Net OPEB Liability (See Note 14)	3,376,018	448,999
Other Amounts Due in More Than One Year	2,111,255	1,667,074
<i>Total Liabilities</i>	<u>45,588,518</u>	<u>6,933,678</u>
Deferred Inflows of Resources		
Property Taxes	13,321,912	0
Pension	2,277,870	225,941
OPEB	3,538,450	362,064
<i>Total Deferred Inflows of Resources</i>	<u>19,138,232</u>	<u>588,005</u>
Net Position		
Net Investment in Capital Assets	12,644,537	367,577
Restricted for:		
Food Service Operations	306,304	0
Special Education	149,042	0
Student Instruction	63,671	0
Juvenile Attention Center	152,596	0
Athletics	164,978	0
Community Involvement	49,578	0
Capital Projects	172,827	0
Other Purposes	42,516	23,291
Unrestricted (Deficit)	(29,502,884)	(1,106,257)
<i>Total Net Position</i>	<u>(\$15,756,835)</u>	<u>(\$715,389)</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2019

	Program Revenues			
	Expenses	Charges for Services	Operating Grant, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$14,259,032	\$1,392,799	\$55,208	\$4,861
Special	6,133,315	190,367	3,061,581	0
Vocational	76,314	0	74,700	0
Support Services:				
Pupil	1,658,974	0	290	0
Instructional Staff	450,812	0	64,295	14,720
Board of Education	134,050	0	0	0
Administration	2,948,126	0	103,330	0
Fiscal	788,405	0	0	0
Operation and Maintenance of Plant	2,965,209	996	17,109	0
Pupil Transportation	1,090,760	7,343	39,535	2,125
Central	92,589	0	0	0
Operation of Food Services	952,012	213,964	697,092	0
Operation of Non-Instructional Services	1,155,788	325,303	182,085	0
Extracurricular Activities	1,516,882	712,000	162,040	3,600
Interest and Fiscal Charges	23,771	0	0	0
<i>Total Governmental Activities</i>	\$34,246,039	\$2,842,772	\$4,457,265	\$25,306
Component Unit				
Quaker Digital Academy	\$4,078,815	\$13,100	\$391,378	\$0

General Revenues

Property Taxes Levied for:

 General Purposes

 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

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
(\$12,806,164)	\$0
(2,881,367)	0
(1,614)	0
(1,658,684)	0
(371,797)	0
(134,050)	0
(2,844,796)	0
(788,405)	0
(2,947,104)	0
(1,041,757)	0
(92,589)	0
(40,956)	0
(648,400)	0
(639,242)	0
(23,771)	0
(26,920,696)	0
0	(3,674,337)
15,038,686	0
376,268	0
13,602,092	3,205,091
209,831	79,400
148,981	358,396
29,375,858	3,642,887
2,455,162	(31,450)
(18,211,997)	(683,939)
(\$15,756,835)	(\$715,389)

New Philadelphia City School District

Balance Sheet

Governmental Funds

June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,475,140	\$1,347,675	\$5,822,815
Accounts Receivable	5,616	1,262	6,878
Intergovernmental Receivable	169,947	468,605	638,552
Interfund Receivable	57,676	0	57,676
Accrued Interest Receivable	16,741	1,026	17,767
Prepaid Items	44,366	3,480	47,846
Materials and Supplies Inventory	0	2,801	2,801
Inventory Held for Resale	0	6,336	6,336
Property Taxes Receivable	14,905,606	454,177	15,359,783
<i>Total Assets</i>	<u>\$19,675,092</u>	<u>\$2,285,362</u>	<u>\$21,960,454</u>
Liabilities			
Accounts Payable	\$130,185	\$93,736	\$223,921
Contracts Payable	0	181,690	181,690
Accrued Wages and Benefits Payable	2,739,038	237,107	2,976,145
Intergovernmental Payable	668,367	71,167	739,534
Retainage Payable	0	39,229	39,229
Interfund Payable	0	57,676	57,676
Matured Compensated Absences Payable	27,312	0	27,312
<i>Total Liabilities</i>	<u>3,564,902</u>	<u>680,605</u>	<u>4,245,507</u>
Deferred Inflows of Resources			
Property Taxes	12,931,985	389,927	13,321,912
Unavailable Revenue	441,887	278,024	719,911
<i>Total Deferred Inflows of Resources</i>	<u>13,373,872</u>	<u>667,951</u>	<u>14,041,823</u>
Fund Balances			
Nonspendable	44,366	6,281	50,647
Restricted	0	1,181,008	1,181,008
Committed	193,608	0	193,608
Assigned	1,975,753	0	1,975,753
Unassigned (Deficit)	522,591	(250,483)	272,108
<i>Total Fund Balances</i>	<u>2,736,318</u>	<u>936,806</u>	<u>3,673,124</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$19,675,092</u>	<u>\$2,285,362</u>	<u>\$21,960,454</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, 2019*

Total Governmental Funds Balances	\$3,673,124
 <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.	13,302,932
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	281,305
Intergovernmental Grants	159,736
Tuition and Fees	194,980
Miscellaneous	<u>83,890</u>
Total	719,911
In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due.	(1,546)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(610,000)
Capital Leases	(64,038)
Compensated Absences	<u>(1,875,879)</u>
Total	(2,549,917)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	557,654
The net OPEB asset and net pension/OPEB liabilities are not due and payable in the current period; therefore, the asset, liabilities and related deferred outflows/inflows are not reported in the funds:	
Net OPEB Asset	2,089,684
Deferred Outflows - Pension	10,374,377
Deferred Outflows - OPEB	742,490
Net Pension Liability	(35,473,206)
Net OPEB Liability	(3,376,018)
Deferred Inflows - Pension	(2,277,870)
Deferred Inflows - OPEB	<u>(3,538,450)</u>
Total	<u>(31,458,993)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$15,756,835)</u></u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$15,053,206	\$370,926	\$15,424,132
Intergovernmental	14,934,650	2,948,630	17,883,280
Interest	209,693	7,831	217,524
Tuition and Fees	1,490,496	231,174	1,721,670
Extracurricular Activities	160,202	551,798	712,000
Contributions and Donations	0	219,228	219,228
Charges for Services	195	213,964	214,159
Rentals	996	0	996
Miscellaneous	38,793	26,559	65,352
<i>Total Revenues</i>	<u>31,888,231</u>	<u>4,570,110</u>	<u>36,458,341</u>
Expenditures			
Current:			
Instruction:			
Regular	15,697,410	150,212	15,847,622
Special	4,896,089	1,900,114	6,796,203
Vocational	86,086	0	86,086
Support Services:			
Pupil	1,902,020	289	1,902,309
Instructional Staff	394,756	63,757	458,513
Board of Education	160,756	0	160,756
Administration	3,085,885	126,674	3,212,559
Fiscal	759,718	0	759,718
Operation and Maintenance of Plant	2,873,195	15,231	2,888,426
Pupil Transportation	1,096,321	0	1,096,321
Central	116,234	0	116,234
Operation of Food Services	0	938,783	938,783
Operation of Non-Instructional Services	733,409	492,556	1,225,965
Extracurricular Activities	827,646	694,984	1,522,630
Capital Outlay	9,972	1,129,328	1,139,300
Debt Service:			
Principal Retirement	76,737	96,411	173,148
Interest and Fiscal Charges	8,905	15,161	24,066
<i>Total Expenditures</i>	<u>32,725,139</u>	<u>5,623,500</u>	<u>38,348,639</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(836,908)</u>	<u>(1,053,390)</u>	<u>(1,890,298)</u>
Other Financing Sources (Uses)			
Insurance Recoveries	25,675	0	25,675
Transfers In	0	745,424	745,424
Transfers Out	(512,193)	(233,231)	(745,424)
<i>Total Other Financing Sources (Uses)</i>	<u>(486,518)</u>	<u>512,193</u>	<u>25,675</u>
<i>Net Change in Fund Balances</i>	<u>(1,323,426)</u>	<u>(541,197)</u>	<u>(1,864,623)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,059,744</u>	<u>1,478,003</u>	<u>5,537,747</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,736,318</u></u>	<u><u>\$936,806</u></u>	<u><u>\$3,673,124</u></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, 2019*

Net Change in Fund Balances - Total Governmental Funds (\$1,864,623)

*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 and contributions exceeded depreciation in the current period:

Capital Asset Additions:		
Capital Outlay	1,572,973	
Capital Contributions	3,900	
Depreciation	<u>(917,581)</u>	
Total		659,292

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (54,990)

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

Property Taxes	(9,178)	
Intergovernmental	(31,324)	
Tuition and Fees	193,947	
Contributions and Donations	(1,200)	
Miscellaneous	<u>83,629</u>	
Total		235,874

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued Interest	295	
Compensated Absences	<u>8,515</u>	
Total		8,810

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

Payment on General Obligation Bonds	145,000	
Payment on Capital Leases	<u>28,148</u>	
Total		173,148

The change in net position of the internal service fund is reported with governmental activities in the statement of activities. (23,858)

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

Pension	2,695,826	
OPEB	<u>95,131</u>	
Total		2,790,957

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

Pension	(3,779,542)	
OPEB	<u>4,310,094</u>	
Total		<u>530,552</u>

Change in Net Position of Governmental Activities \$2,455,162

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$14,635,409	\$14,682,389	\$14,696,474	\$14,085
Payments in Lieu of Taxes	60,000	60,000	67,236	7,236
Intergovernmental	14,888,411	15,026,289	15,228,082	201,793
Interest	67,500	67,500	133,695	66,195
Tuition and Fees	1,326,250	1,326,250	1,521,750	195,500
Charges for Services	250	250	195	(55)
Rentals	7,700	8,540	1,868	(6,672)
Miscellaneous	245,657	245,657	299,151	53,494
<i>Total Revenues</i>	<u>31,231,177</u>	<u>31,416,875</u>	<u>31,948,451</u>	<u>531,576</u>
Expenditures				
Current:				
Instruction:				
Regular	14,337,895	15,584,593	15,596,322	(11,729)
Special	5,498,764	4,896,858	4,897,921	(1,063)
Vocational	105,649	85,867	85,867	0
Support Services:				
Pupil	1,748,219	1,853,777	1,854,832	(1,055)
Instructional Staff	397,973	400,453	400,691	(238)
Board of Education	101,365	155,420	155,518	(98)
Administration	3,007,511	3,113,743	3,114,098	(355)
Fiscal	853,626	775,552	776,012	(460)
Operation and Maintenance of Plant	2,601,157	2,910,672	2,912,429	(1,757)
Pupil Transportation	1,077,015	1,254,884	1,255,629	(745)
Central	99,937	128,990	129,067	(77)
Operation of Non-Instructional Services	1,039,831	733,409	733,409	0
Extracurricular Activities	522,974	658,821	658,821	0
Capital Outlay	0	24,935	24,950	(15)
Debt Service:				
Principal Retirement	50,000	50,000	50,000	0
Interest and Fiscal Charges	0	5,796	5,796	0
Bond Issuance Costs	10,260	10,260	10,260	0
<i>Total Expenditures</i>	<u>31,452,176</u>	<u>32,644,030</u>	<u>32,661,622</u>	<u>(17,592)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(220,999)</u>	<u>(1,227,155)</u>	<u>(713,171)</u>	<u>513,984</u>
Other Financing Sources (Uses)				
Insurance Recoveries	18,194	18,194	25,675	7,481
Advances In	15,000	15,000	25,439	10,439
Advances Out	0	(12,000)	(12,000)	0
Transfers Out	(100,000)	(512,193)	(512,193)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(66,806)</u>	<u>(490,999)</u>	<u>(473,079)</u>	<u>17,920</u>
<i>Net Change in Fund Balance</i>	<u>(287,805)</u>	<u>(1,718,154)</u>	<u>(1,186,250)</u>	<u>531,904</u>
<i>Fund Balance Beginning of Year</i>	5,074,888	5,074,888	5,074,888	0
Prior Year Encumbrances Appropriated	287,805	287,805	287,805	0
<i>Fund Balance End of Year</i>	<u>\$5,074,888</u>	<u>\$3,644,539</u>	<u>\$4,176,443</u>	<u>\$531,904</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District

Statement of Fund Net Position

Proprietary Fund

June 30, 2019

	<u>Governmental Activities - Internal Service</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$557,654
	<u><u> </u></u>
Net Position	
Unrestricted	\$557,654
	<u><u> </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, 2019*

	Governmental Activities - Internal Service
Operating Revenues	
Charges for Services	\$5,597,274
Operating Expenses	
Fringe Benefits	5,621,132
<i>Change in Net Position</i>	(23,858)
<i>Net Position Beginning of Year</i>	581,512
<i>Net Position End of Year</i>	\$557,654

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, 2019

	Governmental Activities - Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$5,771,856
Cash Payments for Premiums	(5,621,132)
<i>Net Increase in Cash and Cash Equivalents</i>	150,724
<i>Cash and Cash Equivalents Beginning of Year</i>	406,930
<i>Cash and Cash Equivalents End of Year</i>	\$557,654
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$23,858)
Adjustment:	
Decrease in Intergovernmental Receivable	174,582
<i>Net Cash Provided by Operating Activities</i>	\$150,724

See accompanying notes to the basic financial statements

New Philadelphia City School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,428,508	\$70,704
Accrued Interest Receivable	5,715	0
<i>Total Assets</i>	1,434,223	<u>\$70,704</u>
Liabilities		
Due to Students	0	<u>\$70,704</u>
Net Position		
Held in Trust for Scholarships	<u>\$1,434,223</u>	

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
	Scholarship
Additions	
Contributions and Donations	\$200
Interest	30,223
	30,423
<i>Total Additions</i>	30,423
Deductions	
Scholarships Awarded	10,000
	20,423
<i>Change in Net Position</i>	20,423
<i>Net Position Beginning of Year</i>	1,413,800
	1,434,223
<i>Net Position End of Year</i>	\$1,434,223

See accompanying notes to the basic financial statements

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New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 1 – Description of the School District and Reporting Entity

The New Philadelphia City School District (the “School District”) operates under a locally-elected Board form of government and provides educational services as authorized by State statute and/or Federal guidelines. This Board controls the School District’s 11 instruction/support facilities staffed by 153 non-certificated employees, 222 certificated full-time teaching personnel and 20 administrative employees who provide services to 3,275 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 72 square miles. It is located in Tuscarawas County, and includes all of the City of New Philadelphia, the Village of Stone Creek and portions of nine townships. The School District currently operates seven instructional buildings, an administration building, a warehouse building, a sports complex and a garage.

Reporting Entity

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

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

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

The School District participates in three jointly governed organizations and two public entity risk pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency, Buckeye Joint Vocational School District, Tuscarawas County Tax Incentive Review Council, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Portage Area School Consortium. These organizations are presented in Notes 20 and 21 to the basic financial statements.

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Fund Accounting

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

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

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

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

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

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund that the School District accounts for is a health and vision 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 college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student managed activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e.,

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 9). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, tuition and fees, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14.)

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

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

During fiscal year 2019, investments were limited to STAR Ohio, first American treasury obligations fund, a repurchase agreement, negotiable certificates of deposit, U.S. treasury notes, federal home loan mortgage corporation notes, commercial paper, and federal farm credit bank notes. Investments are reported at fair value, except for STAR Ohio, the first American treasury obligations fund, and the repurchase agreement.

STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates; however, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The School District measures its investment in the first American treasury obligations fund at the net asset value (NAV) per share provided by First American Funds. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

The School District measures its investment in the repurchase agreement at cost.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$209,693, which includes \$57,126 assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

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

Capital Assets

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

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated except for land and construction in progress. 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

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.

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or by a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education also assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2020 budget.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

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

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

Interfund Activity

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

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

Operating Revenues and Expenses

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

Estimates

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 3 – Change in Accounting Principles

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Note 4 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
3. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
4. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.
6. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balance

GAAP Basis	(\$1,323,426)
Net Adjustment for Revenue Accruals	281,456
Advances In	25,439
Ending Fair Value Adjustment for Investments	(59,257)
Net Adjustment for Expenditure Accruals	133,365
Advances Out	(12,000)
Perspective Difference:	
Public School Support	5,841
Encumbrances	<u>(237,668)</u>
Budget Basis	<u><u>(\$1,186,250)</u></u>

Note 5 – Compliance and Accountability

Compliance

The School District had negative cash balances at June 30, 2019, in the following funds:

	<u>Amount</u>
<i>Special Revenue:</i>	
Preschool	\$6,508
Title VI-B	9,770
Title III	3,071
Title I	25,153
Preschool Grants	828
Improving Teacher Quality	346

The negative cash balances indicate that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10. The cash deficits were the result of monies being expended with the expectation that the School District will be reimbursed during fiscal year 2020. Although the cash deficits were not corrected by fiscal year end, management has indicated that cash will be closely monitored to prevent future violations.

Accountability

Fund balances at June 30, 2019, included individual fund deficits in the following funds:

	<u>Amount</u>
<i>Special Revenue:</i>	
Preschool	\$37,492
Title VI-B	15,091
Title III	163
Title I	49,609
Preschool Grants	1,970
<i>Capital Projects:</i>	
Building	143,595

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

The special revenue funds deficit balances resulted from adjustments for accrued liabilities. The preschool, Title I and preschool grants special revenue funds deficit balances resulted from unavailable revenue related to the intergovernmental grant receivable. The title VI-B and title III special revenue funds and the building capital projects fund deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

Note 6 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>			
Prepays	\$44,366	\$3,480	\$47,846
Inventory	0	2,801	2,801
<i>Total Nonspendable</i>	<u>44,366</u>	<u>6,281</u>	<u>50,647</u>
<u>Restricted for:</u>			
Food Service Operations	0	335,897	335,897
Special Education	0	145,435	145,435
Student Instruction	0	65,085	65,085
Juvenile Attention Center	0	295	295
Athletics	0	164,978	164,978
Community Involvement	0	59,190	59,190
Capital Projects	0	367,612	367,612
<u>Other Purposes:</u>			
Band Uniforms	0	5,980	5,980
Instructional Programs	0	34,001	34,001
School Safety	0	2,408	2,408
Teacher Development	0	127	127
<i>Total Restricted</i>	<u>0</u>	<u>1,181,008</u>	<u>1,181,008</u>
<u>Committed to:</u>			
<u>Purchases on Order:</u>			
Bus Purchase	168,730	0	168,730
Support Services	9,900	0	9,900
Capital Outlay	14,978	0	14,978
<i>Total Committed</i>	<u>193,608</u>	<u>0</u>	<u>193,608</u>
<u>Assigned to:</u>			
Public School Support	44,048	0	44,048
<u>Purchases on Order:</u>			
Instructional Services	11,454	0	11,454
Support Services	15,816	0	15,816
Fiscal Year 2020 Operations	1,904,435	0	1,904,435
<i>Total Assigned</i>	<u>1,975,753</u>	<u>0</u>	<u>1,975,753</u>
Unassigned (Deficit)	<u>522,591</u>	<u>(250,483)</u>	<u>272,108</u>
Total Fund Balances	<u><u>\$2,736,318</u></u>	<u><u>\$936,806</u></u>	<u><u>\$3,673,124</u></u>

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Note 7 – Deposits and Investments

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed previously provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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 that it will be held to maturity.

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

Investments

As of June 30, 2019, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share:				
STAR Ohio	\$959,694	Less than one year	AAAm	N/A
First American Treasury Obligations Fund	<u>391,227</u>	Less than one year	AAAm	N/A
Total Net Asset Value Per Share	<u>1,350,921</u>			
Cost:				
Repurchase Agreement	<u>1,045,764</u>	Less than one year	N/A	13.20 %
Fair Value - Level 2 Inputs:				
Negotiable Certificates of Deposit	3,496,636	Less than five years	N/A	44.13
U.S. Treasury Notes	896,675	Less than one year	AA+	11.32
Federal Home Loan Mortgage Corporation Notes	498,725	Less than three years	AA+	6.29
Commercial Paper	385,638	Less than one year	A-1	N/A
Federal Farm Credit Bank Notes	<u>249,915</u>	Less than three years	AA+	N/A
Total Fair Value - Level 2 Inputs	<u>5,527,589</u>			
Total Investments	<u>\$7,924,274</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The preceding chart identifies the School District's recurring fair value measurements as of June 30, 2019. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (level 2 inputs).

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring the School District's investment portfolio to be structured so

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, negotiable certificates of deposit, U.S. Treasury Notes, Federal Home Loan Mortgage Corporation Notes, commercial paper, and Federal Farm Credit Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty. The School District has no investment policy dealing with the investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. All investments of the School District carry a rating of AAAm, AA+ or A-1 by Standard and Poor's. The School District does not have an investment policy that addresses credit risk.

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

Note 8 – Receivables

Receivables at June 30, 2019, consisted of taxes, accounts (tuition and fees, extracurricular, charges for services, and miscellaneous) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Juvenile Attention Center - County Share	\$161,494
Title I-A Improving Basic Programs Grant	118,621
Bureau of Workers' Compensation Rebate	82,087
Medicaid in Schools	75,718
School Employees Retirement System Refund	51,783
Early Childhood Education Grant	46,911
Regular Tuition	33,259
IDEA-B Special Education Grant	26,137
IDEA Early Childhood Special Education Grant	9,868
IDEA 6B Restoration Grant	9,500
Title I-D Delinquent Grant	6,900
Title IV-A Student Support and Academic Enrichment Grant	4,920
Title I-D Neglected Grant	3,546
Title III Language Instruction for English Learners Grant	2,442
Title II-A Supporting Effective Instruction Grant	1,814
QDA Administrative Service Billing	1,803
College Credit Plus	788
Title III Immigrant Grant	734
Special Education Tuition	227
Total	<u>\$638,552</u>

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Note 9 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District's parameters. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018, and are collected in calendar year 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2019, was \$1,700,893 in the general fund and \$55,673 in the permanent improvement capital projects fund. By comparison, the amount available as an advance at June 30, 2018, was \$1,344,161 in the general fund and \$14,734 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor, as well as an increase in the permanent improvement levy tax rate.

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

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

The assessed values upon which the fiscal year 2019 taxes were collected are as follows:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$445,002,670	95.32 %	\$449,493,070	95.05 %
Public Utility Personal	21,872,560	4.68	23,418,550	4.95
Total	\$466,875,230	100.00 %	\$472,911,620	100.00 %
Tax rate per \$1,000 of assessed valuation	\$53.40		\$53.60	

The tax rate increased due to the permanent improvement levy increase of 0.2 mill.

Tax Abatements

The School District's property taxes were reduced as follows under enterprise zone tax exemption and tax increment financing agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2019 Taxes Abated
<i>Enterprise Zone Tax Exemptions:</i>	
City of New Philadelphia	\$33,618
<i>Tax Increment Financing:</i>	
Goshen Township	110,126

Note 10 – Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2019, consisted of the following:

Interfund Payable	Interfund Receivable General
<i>Other Governmental Funds:</i>	
Preschool	\$6,508
Title VI-B	9,770
Title III	3,071
Title I	25,153
Preschool Grants	828
Improving Teacher Quality	346
Permanent Improvement	12,000
Total	\$57,676

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Interfund Transfers

During fiscal year 2019, the general fund transferred \$512,193 to other governmental funds to move unrestricted balances to support programs and projects accounted for in those funds. Transfers between other governmental funds totaling \$233,231 were to move the excess cash balance from the bond retirement debt service fund and to provide for projects accounted for in the building capital projects fund.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$1,023,677	\$35,189	\$0	\$1,058,866
Construction in progress	79,065	1,031,320	(298,638)	811,747
Total capital assets not being depreciated	<u>1,102,742</u>	<u>1,066,509</u>	<u>(298,638)</u>	<u>1,870,613</u>
Capital assets being depreciated:				
Buildings and improvements	21,881,634	353,286	0	22,234,920
Furniture and equipment	4,692,784	275,465	(305,625)	4,662,624
Vehicles	2,240,053	180,251	(223,070)	2,197,234
Total capital assets being depreciated	<u>28,814,471</u>	<u>809,002</u>	<u>(528,695)</u>	<u>29,094,778</u>
Accumulated depreciation:				
Buildings and improvements	(13,028,852)	(495,502)	0	(13,524,354)
Furniture and equipment	(2,867,559)	(252,155)	257,586	(2,862,128)
Vehicles	(1,322,172)	(169,924)	216,119	(1,275,977)
Total accumulated depreciation	<u>(17,218,583)</u>	<u>(917,581) *</u>	<u>473,705</u>	<u>(17,662,459)</u>
Capital assets being depreciated, net	<u>11,595,888</u>	<u>(108,579)</u>	<u>(54,990)</u>	<u>11,432,319</u>
Governmental activities capital assets, net	<u><u>\$12,698,630</u></u>	<u><u>\$957,930</u></u>	<u><u>(\$353,628)</u></u>	<u><u>\$13,302,932</u></u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$536,914
Special	34,875
Vocational	2,982
Support Services:	
Instructional Staff	19,157
Administration	17,354
Fiscal	1,866
Operation and Maintenance of Plant	45,798
Pupil Transportation	106,665
Central	1,380
Operation of Non-Instructional Services	1,694
Operation of Food Service Services	6,380
Extracurricular Activities	142,516
Total Depreciation Expense	<u><u>\$917,581</u></u>

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

During fiscal year 2019, the School District received various band equipment valued at \$3,900 from benefactors.

Note 12 – Risk Management

Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2019, the School District contracted with Liberty Mutual Insurance for property, inland marine, and liability insurance and fleet coverage as follows:

Type of Coverage	Deductible	Coverage
Building and Contents (Replacement Cost)	\$5,000	\$75,093,361
Inland Marine Coverage	250 - 500	1,571,162
Crime Insurance	500 - 1,000	50,000 - 200,000
Electronic Data Processing	5,000	2,000,000
Automobile Liability	250 - 1,000	1,000,000
Uninsured Motorists	0	1,000,000
Data and Cyber Security Liability	10,000	1,000,000
General Liability:		
Per Occurrence	N/A	1,000,000
Annual Limit	N/A	3,000,000

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

Workers' Compensation

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 21). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Comp Management, A Sedgwick CMS Company, provides administrative, cost control and actuarial services to the GRP.

Employee Medical Benefits

The School District is a member of the Portage Area School Consortium (the Consortium), a shared risk pool (see Note 21), 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.

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

The net pension/OPEB liabilities (asset) represent the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liabilities (asset) calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District’s obligation for these liabilities to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assume the liabilities are solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also include pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities (asset). Resulting adjustments to the net pension/OPEB liabilities (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset*, long-term *net pension liability*, or long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

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 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 years 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$555,610 for fiscal year 2019. Of this amount \$20,143 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent, and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$2,140,216 for fiscal year 2019. Of this amount \$324,325 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.11034270%	0.12633603%	
Current Measurement Date	<u>0.12011700%</u>	<u>0.13004458%</u>	
 Change in Proportionate Share	 <u>0.00977430%</u>	 <u>0.00370855%</u>	
 Proportionate Share of the Net Pension Liability	 \$6,879,323	 \$28,593,883	 \$35,473,206
Pension Expense	781,791	2,997,751	3,779,542

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$377,287	\$660,034	\$1,037,321
Changes of assumptions	155,350	5,067,375	5,222,725
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	362,473	1,056,032	1,418,505
School District contributions subsequent to the measurement date	<u>555,610</u>	<u>2,140,216</u>	<u>2,695,826</u>
Total Deferred Outflows of Resources	<u>\$1,450,720</u>	<u>\$8,923,657</u>	<u>\$10,374,377</u>
 Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$186,735	\$186,735
Net difference between projected and actual earnings on pension plan investments	190,605	1,733,902	1,924,507
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>10,226</u>	<u>156,402</u>	<u>166,628</u>
Total Deferred Inflows of Resources	<u>\$200,831</u>	<u>\$2,077,039</u>	<u>\$2,277,870</u>

\$2,695,826 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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For the Fiscal Year Ended June 30, 2019

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$747,103	\$2,703,362	\$3,450,465
2021	231,393	1,973,450	2,204,843
2022	(225,761)	270,836	45,075
2023	(58,456)	(241,246)	(299,702)
Total	<u>\$694,279</u>	<u>\$4,706,402</u>	<u>\$5,400,681</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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented as follows:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age setback for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$9,690,045	\$6,879,323	\$4,522,721

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented as follows:

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Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and do not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2018; therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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For the Fiscal Year Ended June 30, 2019*

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$41,757,602	\$28,593,883	\$17,452,581

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (asset).

Plan Description – School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a

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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 2019, the School District’s surcharge obligation was \$74,553.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$95,131 for fiscal year 2019. Of this amount \$75,299 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS, which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.11174770%	0.12633603%	
Current Measurement Date	<u>0.12169030%</u>	<u>0.13004458%</u>	
Change in Proportionate Share	<u>0.00994260%</u>	<u>0.00370855%</u>	
 Proportionate Share of the:			
Net OPEB Liability	\$3,376,018	\$0	\$3,376,018
Net OPEB Asset	0	2,089,684	2,089,684
OPEB Expense	203,829	(4,513,923)	(4,310,094)

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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$55,108	\$244,078	\$299,186
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	216,016	132,157	348,173
School District contributions subsequent to the measurement date	<u>95,131</u>	<u>0</u>	<u>95,131</u>
Total Deferred Outflows of Resources	<u><u>\$366,255</u></u>	<u><u>\$376,235</u></u>	<u><u>\$742,490</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$121,752	\$121,752
Changes of assumptions	303,310	2,847,359	3,150,669
Net difference between projected and actual earnings on OPEB plan investments	5,065	238,729	243,794
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>4,857</u>	<u>17,378</u>	<u>22,235</u>
Total Deferred Inflows of Resources	<u><u>\$313,232</u></u>	<u><u>\$3,225,218</u></u>	<u><u>\$3,538,450</u></u>

\$95,131 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	(\$86,272)	(\$512,076)	(\$598,348)
2021	(58,660)	(512,076)	(570,736)
2022	28,775	(512,078)	(483,303)
2023	30,931	(457,861)	(426,930)
2024	30,580	(438,836)	(408,256)
Thereafter	<u>12,538</u>	<u>(416,056)</u>	<u>(403,518)</u>
Total	<u><u>(\$42,108)</u></u>	<u><u>(\$2,848,983)</u></u>	<u><u>(\$2,891,091)</u></u>

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented as follows:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption:	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018, was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018, was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of

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contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the School District’s proportionate share of the net OPEB liability for SERS and what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the School District’s proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$4,096,532	\$3,376,018	\$2,805,505

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$2,723,827	\$3,376,018	\$4,239,635

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented as follows:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020; however, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the School District's proportionate share of the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District's proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	\$1,791,055	\$2,089,684	\$2,340,667

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	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$2,326,499	\$2,089,684	\$1,849,179

Note 15 – Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2019 were as follows:

	Amount Outstanding 06/30/18	Additions	Reductions	Amount Outstanding 06/30/19	Amount Due in One Year
Governmental Activities					
General Obligation Bonds:					
2014 Current Interest Bonds	\$335,000	\$0	(\$110,000)	\$225,000	\$110,000
2018 School Improvement Bonds	420,000	0	(35,000)	385,000	37,000
Total General Obligation Bonds	<u>755,000</u>	<u>0</u>	<u>(145,000)</u>	<u>610,000</u>	<u>147,000</u>
Net Pension Liability:					
SERS	6,592,733	286,590	0	6,879,323	0
STRS	30,011,395	0	(1,417,512)	28,593,883	0
Total Net Pension Liability	<u>36,604,128</u>	<u>286,590</u>	<u>(1,417,512)</u>	<u>35,473,206</u>	<u>0</u>
Net OPEB Liability:					
SERS	2,999,015	377,003	0	3,376,018	0
STRS	4,929,166	0	(4,929,166)	0	0
Total Net OPEB Liability	<u>7,928,181</u>	<u>377,003</u>	<u>(4,929,166)</u>	<u>3,376,018</u>	<u>0</u>
Capital Leases	<u>92,186</u>	<u>0</u>	<u>(28,148)</u>	<u>64,038</u>	<u>29,375</u>
Compensated Absences	<u>1,884,394</u>	<u>172,940</u>	<u>(181,455)</u>	<u>1,875,879</u>	<u>262,287</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u><u>\$47,263,889</u></u>	<u><u>\$836,533</u></u>	<u><u>(\$6,701,281)</u></u>	<u><u>\$41,399,141</u></u>	<u><u>\$438,662</u></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 to the heating and lighting systems in each of its buildings. Under the terms of the lease, the School District was able to upgrade heating and lighting systems in all of its elementary, high school, and middle school complexes. The bonds are being retired through the general fund and the permanent improvement fund.

On June 1, 2018, the School District issued \$420,000 in general obligation bonds for the purpose of paying costs of acquiring and installing boilers at the high school complex. The bonds were issued for a 10 year period with final maturity at June 1, 2028. Interest payments of 3.61 percent per annum are due on June 1 and December 1 of each year, until the principal amount is paid. At June 30, 2019, \$249,862 of the proceeds were unspent. The bonds are being retired through the permanent improvement fund.

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For the Fiscal Year Ended June 30, 2019*

Optional Redemption The bonds are subject to optional redemption prior to maturity at any time from June 1, 2018, through May 31, 2026, inclusive, at a redemption price equal to 101 percent of the principal amount redeemed, and from June 1, 2026, through June 1, 2028, inclusive, at 100 percent of the principal amount redeemed, in all cases including interest accrued to the redemption date as provided in and in accordance with the bond resolution.

There is no repayment schedule for the net pension liability and the net OPEB liability; however, employer pension and OPEB contributions are made from the general fund and the food service, juvenile attention, summer school, auxiliary services, preschool, title VI-B, title III, title I, and preschool grants special revenue funds. For additional information related to the net pension liability and the net OPEB liability, see Notes 13 and 14. Capital leases will be paid from the general fund and the summer school special revenue fund. Compensated absences will be paid from the general fund and the food service, juvenile attention, summer school, auxiliary services, preschool, title VI-B, title I, and preschool grants special revenue funds.

The School District's overall legal debt margin was \$41,952,046 with an unvoted debt margin of \$472,912 at June 30, 2019. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2019, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Principal	Interest
2020	\$147,000	\$17,093
2021	153,000	13,410
2022	40,000	10,830
2023	41,000	9,386
2024	42,000	7,888
2025-2028	187,000	15,506
Total	<u>\$610,000</u>	<u>\$74,113</u>

Note 16 – Capital Leases

In prior fiscal years, the School District entered into two capital leases for copiers. The lease obligations meet the criteria of capital leases and have been recorded on the government-wide statements. The original amount capitalized for the copiers and the book value as of June 30, 2019, are as follows:

	Amounts
Asset:	
Equipment	\$115,567
Less: Accumulated Depreciation	<u>(28,892)</u>
Book Value	<u>\$86,675</u>

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

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, 2019:

<u>Fiscal Year Ending June 30</u>	<u>Amounts</u>
2020	\$31,562
2021	31,561
2022	4,061
Total Minimum Lease Payments	67,184
Less: Amount Representing Interest	(3,146)
Present Value of Mimimum Lease Payments	<u>\$64,038</u>

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

Note 17 – Operating Lease

The School District entered into an operating lease agreement for a postage meter. Equipment operating lease expense totaled \$2,591 in fiscal year 2019. The following is a schedule by fiscal year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms as of June 30, 2019:

<u>Fiscal Year Ending June 30</u>	<u>Amounts</u>
2020	\$2,591
2021	1,295
Total	<u>\$3,886</u>

Note 18 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty days of vacation per fiscal year, depending upon length of service. Administrative contracts designate the maximum number of vacation days that may be carried over from one contract year to the next. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified staff and classified staff. Upon retirement, payment is made for one-fourth of the accrued, unused sick leave credit, up to a maximum of 65 days for certified employees and classified employees. Certified and classified employees can receive an additional 5 days of paid severance for early notice by submitting a letter of resignation prior to a specified date based on employee classification.

Vision and Life Insurance Benefits

The School District provides vision insurance and life insurance and accidental death and dismemberment insurance to most employees. Vision insurance is provided through Vision Service Plan and life insurance is provided through the American United Life Insurance.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2019, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 19 – Set-Asides

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

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

	<u>Capital Improvements</u>
Set-Aside Balance as of June 30, 2018	\$0
Current Year Set-Aside Requirement	553,343
Current Year Offsets	(329,987)
Qualifying Disbursements	<u>(454,438)</u>
Totals	<u>(\$231,082)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-Aside Balance as of June 30, 2019	<u>\$0</u>

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

Note 20 – Jointly Governed Organizations

Ohio Mid-Eastern Regional Educational Service Agency

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an education management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. During fiscal year 2019, the School District paid \$134,277 to OME-RESA for various services. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, 2230 Sunset Boulevard Suite 2, Steubenville, Ohio 43952.

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Buckeye Joint Vocational School District

The Buckeye Joint Vocational School District, which provides vocational education programs, is a distinct subdivision of the State of Ohio operated under a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possessed its own budgeting and taxing authority. During fiscal year 2019, the School District paid \$1,352 to Buckeye Joint Vocational School District for various items. To obtain financial information, write to Buckeye Joint Vocational School District, Lori Statler, Treasurer, 545 University Drive NE, New Philadelphia, Ohio 44663.

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 56 members, consisting of 3 members appointed by the County Commissioners, 22 members appointed by municipal corporations, 12 members appointed by township trustees, 2 members from the County Auditor's office, 16 members appointed by boards of education located within the County, and 1 member representing the Economic Development and Finance Alliance. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2019, the School District made no payments to the TCTIRC.

Note 21 – Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program

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

Portage Area School Consortium

The Portage Area School Consortium (the Consortium) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone pools, the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 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, 2019*

Note 22 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

Litigation

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

Note 23 – Significant Commitments

Contractual Commitments

The School District had the following contractual commitments outstanding at June 30, 2019:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Quaker Dome Remodel	\$1,012,085	\$533,283	\$478,802
High School Boilers Phase II	466,097	0	466,097
Total	<u>\$1,478,182</u>	<u>\$533,283</u>	<u>\$944,899</u>

\$466,097 of the remaining commitment amounts were encumbered at fiscal year end.

Encumbrances

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

General	\$237,668
Other Governmental Funds	<u>624,719</u>
Total	<u>\$862,387</u>

Note 24 – Related Party Transactions

In fiscal year 2019, the Academy paid the School District \$356,227 for services provided by the School District to the Academy, as well as insurance premiums paid by the School District for the Academy.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Note 25 – Quaker Digital Academy

The Quaker Digital Academy has been determined to be a discrete component unit, as the School District appoints a voting majority of the Academy's governing board and due to the significant services and resources provided by the School District to the Academy. Therefore, it has been included as part of the School District's basic financial statements. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Quaker Digital Academy, 248 Front Avenue S.W., New Philadelphia, Ohio 44663.

Basis of Presentation

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

Basis of Accounting

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

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

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Academy, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans.

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Net Position

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

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

Deposits and Investments

At fiscal year end, the carrying amount of the Academy's deposits was (\$11,038) and the bank balance was \$14,432. The deficit carrying balance is covered by the Academy's investment in a repurchase agreement. Protection of the Academy's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

As of June 30, 2019, the Academy had \$4,676,144 invested in a repurchase agreement, which was measured at cost and had a daily maturity.

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

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

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Compensated Absences

The Academy reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means.

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

Changes in Accounting Principles

For fiscal year 2019, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the Academy also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the Academy's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the Academy's fiscal year 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the Academy's fiscal year 2019 financial statements; however, there was no effect on beginning net position.

Related Party Transactions

In fiscal year 2019, the Academy paid the School District \$356,227 for services provided by the School District to the Academy, as well as insurance premiums paid by the School District for the Academy.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5-20 years
Vehicles	10 years

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19
Capital Assets being depreciated:				
Furniture and Equipment	\$902,721	\$19,072	(\$164,274)	\$757,519
Vehicles	69,447	0	0	69,447
Total Capital Assets being depreciated	<u>972,168</u>	<u>19,072</u>	<u>(164,274)</u>	<u>826,966</u>
Accumulated Depreciation:				
Furniture and Equipment	(456,977)	(80,486)	113,746	(423,717)
Vehicles	(28,727)	(6,945)	0	(35,672)
Total Accumulated Depreciation	<u>(485,704)</u>	<u>(87,431)</u>	<u>113,746</u>	<u>(459,389)</u>
Total Capital Assets, net	<u>\$486,464</u>	<u>(\$68,359)</u>	<u>(\$50,528)</u>	<u>\$367,577</u>

Defined Benefit Pension Plans

The Academy's contractually required contribution to SERS was \$73,838 for fiscal year 2019. Of this amount \$1,678 is reported as an intergovernmental payable. The Academy's contractually required contribution to STRS was \$218,560 for fiscal year 2019. Of this amount \$17,735 is reported as an intergovernmental payable.

The net pension liability was measured as of June 30, 2018, 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.01437910%	0.01299128%	
Current Measurement Date	<u>0.01604220%</u>	<u>0.01293721%</u>	
Change in Proportionate Share	<u>0.00166310%</u>	<u>-0.00005407%</u>	
Proportionate Share of the Net Pension Liability	\$918,767	\$2,844,602	\$3,763,369
Pension Expense	126,565	390,592	517,157

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$50,389	\$65,662	\$116,051
Changes of assumptions	20,748	504,117	524,865
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	81,437	280,303	361,740
Academy contributions subsequent to the measurement date	<u>73,838</u>	<u>218,560</u>	<u>292,398</u>
Total Deferred Outflows of Resources	<u>\$226,412</u>	<u>\$1,068,642</u>	<u>\$1,295,054</u>

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$18,577	\$18,577
Net difference between projected and actual earnings on pension plan investments	25,456	172,494	197,950
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	1,755	7,659	9,414
Total Deferred Inflows of Resources	\$27,211	\$198,730	\$225,941

\$292,398 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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>
2020	\$117,255	\$361,305	\$478,560
2021	46,067	260,599	306,666
2022	(30,151)	68,266	38,115
2023	(7,808)	(38,818)	(46,626)
Total	\$125,363	\$651,352	\$776,715

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the Academy's proportionate share of the SERS net pension liability calculated using the discount rate of 7.50 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Academy's proportionate share of the net pension liability	\$1,294,152	\$918,767	\$604,031

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the STRS net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Academy's proportionate share of the net pension liability	\$4,154,167	\$2,844,602	\$1,736,233

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Defined Benefit OPEB Plans

For fiscal year 2019, the Academy's surcharge obligation was \$9,401. The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contractually required contribution to SERS was \$12,136 for fiscal year 2019. Of this amount \$9,463 is reported as an intergovernmental payable.

For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to postemployment health care.

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Academy's proportion of the net OPEB liability (asset) was based on the Academy's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.01446720%	0.01299128%	
Current Measurement Date	<u>0.01618440%</u>	<u>0.01293721%</u>	
Change in Proportionate Share	<u>0.00171720%</u>	<u>-0.00005407%</u>	
 Proportionate Share of the:			
Net OPEB Liability	\$448,999	\$0	\$448,999
Net OPEB Asset	0	207,888	207,888
OPEB Expense	35,456	(444,225)	(408,769)

At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$7,329	\$24,282	\$31,611
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	49,285	35,004	84,289
Academy contributions subsequent to the measurement date	<u>12,136</u>	<u>0</u>	<u>12,136</u>
Total Deferred Outflows of Resources	<u>\$68,750</u>	<u>\$59,286</u>	<u>\$128,036</u>
 Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$12,112	\$12,112
Changes of assumptions	40,339	283,263	323,602
Net difference between projected and actual earnings on OPEB plan investments	674	23,749	24,423
Changes in proportionate share and difference between Academy contributions and proportionate share of contributions	<u>0</u>	<u>1,927</u>	<u>1,927</u>
Total Deferred Inflows of Resources	<u>\$41,013</u>	<u>\$321,051</u>	<u>\$362,064</u>

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

\$12,136 reported as deferred outflows of resources related to OPEB resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	(\$3,128)	(\$46,109)	(\$49,237)
2021	(1,030)	(46,109)	(47,139)
2022	5,610	(46,109)	(40,499)
2023	5,897	(40,715)	(34,818)
2024	5,851	(38,821)	(32,970)
Thereafter	2,401	(43,902)	(41,501)
Total	\$15,601	(\$261,765)	(\$246,164)

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the Academy's proportionate share of the net OPEB liability for SERS and what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the Academy's proportionate share of the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
Academy's proportionate share of the net OPEB liability	\$544,825	\$448,999	\$373,123

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
Academy's proportionate share of the net OPEB liability	\$362,260	\$448,999	\$563,857

Sensitivity of the Academy's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rates The following table represents the Academy's proportionate share of the STRS net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the Academy's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the Academy's proportionate share of the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Academy's proportionate share of the net OPEB asset	\$178,179	\$207,888	\$232,856

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease	Current Trend Rate	1% Increase
Academy's proportionate share of the net OPEB asset	\$231,447	\$207,888	\$183,962

Long-Term Obligations

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

The changes in the Academy's long-term obligations during fiscal year 2019 were as follows:

	Amount Outstanding 06/30/18	Additions	Reductions	Amount Outstanding 06/30/19	Amount Due in One Year
Intergovernmental Payable:					
Fiscal Year 2018 FTE Adjustment	\$949,273	\$0	(\$431,488)	\$517,785	\$517,785
Fiscal Year 2016 FTE Agreement	1,991,850	0	0	1,991,850	331,975
Total Intergovernmental Payable	2,941,123	0	(431,488)	2,509,635	849,760
Compensated Absences	68,660	65,222	(62,560)	71,322	64,123
Net Pension Liability:					
SERS	859,119	59,648	0	918,767	0
STRS	3,086,106	0	(241,504)	2,844,602	0
Total Net Pension Liability	3,945,225	59,648	(241,504)	3,763,369	0
Net OPEB Liability:					
SERS	388,262	60,737	0	448,999	0
STRS	506,872	0	(506,872)	0	0
Total Net OPEB Liability	895,134	60,737	(506,872)	448,999	0
Total Long-Term Liabilities	\$7,850,142	\$185,607	(\$1,242,424)	\$6,793,325	\$913,883

As a result of the fiscal year 2018 FTE review, the Academy owed the State Board of Education \$949,273, which is being repaid through monthly Foundation deductions through the end of fiscal year 2020.

On February 20, 2019, the Academy and the State Board of Education reached an agreement to settle the Academy's appeal of the Ohio Department of Education's FTE review determination for fiscal year 2016. The agreement resulted in the Academy owing \$1,991,850 to the State Board of Education, which will be repaid through equal monthly Foundation deductions in fiscal years 2020 through 2025.

Operating Leases

The Academy is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Academy's basic financial statements. Total costs for such leases were \$108,371 for fiscal year 2019. The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms as of June 30, 2019:

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

Fiscal Year	Amount
2020	\$100,408
2021	75,908
2022	75,908
2023	75,908
2024	75,908
2025	32,787
Total Minimum Payments Required	<u><u>\$436,827</u></u>

Note 26 – Subsequent Event

On October 28, 2019, the School District entered into an agreement to purchase 280.908 acres of land from Oak Shadows Golf Club for the purpose of building new school buildings. The agreed upon purchase price is \$3,000,000, which includes a \$25,000 deposit to be placed in an escrow account. The purchase is contingent upon the approval by the voters of the School District’s bond issue, which is expected to be voted on in the March 2020 election. In the event that the bond issue is not placed on the ballot or fails to obtain voter approval in the March 2020 election, the District is permitted to attempt another approval in the November 2020 election. If the bond issue is not placed on the ballot or fails to obtain voter approval in the November 2020 election, the agreement will be terminated and the School District will receive the \$25,000 deposit back, contingent on the School District meeting the requirements outlined in the agreement. Beginning January 1, 2020, and continuing until the closing date, the School District will pay Oak Shadows Golf Club a monthly payment of \$13,500 in consideration of the lengthy time between the execution of the agreement and the closing date. Of the \$13,500 monthly payments, the School District will receive a “Closing Credit” of \$5,000 from Oak Shadows Golf Club for each month the School District made a monthly payment.

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Required Supplementary Information

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 Six Fiscal Years (1) **

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.12011700%	0.11034270%	0.11057230%	0.10761540%	0.10779300%	0.10779300%
School District's Proportionate Share of the Net Pension Liability	\$6,879,323	\$6,592,733	\$8,092,872	\$6,140,639	\$5,455,342	\$6,410,103
School District's Covered Payroll	\$3,970,489	\$3,637,186	\$3,439,007	\$3,353,579	\$3,132,244	\$4,781,676
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	173.26%	181.26%	235.33%	183.11%	174.17%	134.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.12169030%	0.11174770%	0.11166320%
School District's Proportionate Share of the Net OPEB Liability	\$3,376,018	\$2,999,015	\$3,182,814
School District's Covered Payroll	\$3,970,489	\$3,637,186	\$3,439,007
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.03%	82.45%	92.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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 Six Fiscal Years (1) **

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.13004458%	0.12633603%	0.12679097%	0.12198757%	0.12320180%	0.12320180%
School District's Proportionate Share of the Net Pension Liability	\$28,593,883	\$30,011,395	\$42,440,760	\$33,713,796	\$29,966,941	\$35,696,425
School District's Covered Payroll	\$14,878,821	\$13,966,664	\$13,455,886	\$13,338,414	\$12,561,894	\$14,026,523
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.18%	214.88%	315.41%	252.76%	238.55%	254.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Asset/Liability	0.13004458%	0.12633603%	0.12679097%
School District's Proportionate Share of the:			
Net OPEB Asset	\$2,089,684	\$0	\$0
Net OPEB Liability	0	4,929,166	6,780,814
School District's Covered Payroll	\$14,878,821	\$13,966,664	\$13,455,886
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-14.04%	35.29%	50.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$555,610	\$536,016	\$509,206	\$481,461
Contributions in Relation to the Contractually Required Contribution	(555,610)	(536,016)	(509,206)	(481,461)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,115,630	\$3,970,489	\$3,637,186	\$3,439,007
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$95,131	\$84,846	\$59,866	\$54,830
Contributions in Relation to the Contractually Required Contribution	(95,131)	(84,846)	(59,866)	(54,830)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.31%</u>	<u>2.14%</u>	<u>1.65%</u>	<u>1.59%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.81%</u>	<u>15.64%</u>	<u>15.65%</u>	<u>15.59%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$442,002	\$434,129	\$661,784	\$634,115	\$619,338	\$596,506
(442,002)	(434,129)	(661,784)	(634,115)	(619,338)	(596,506)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,353,579	\$3,132,244	\$4,781,676	\$4,714,610	\$4,927,112	\$4,405,510
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$81,693	\$56,533	\$61,831	\$71,904	\$117,387	\$71,265
(81,693)	(56,533)	(61,831)	(71,904)	(117,387)	(71,265)
\$0	\$0	\$0	\$0	\$0	\$0
2.44%	1.80%	1.29%	1.53%	2.38%	1.62%
15.62%	15.66%	15.13%	14.98%	14.95%	15.16%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$2,140,216	\$2,083,035	\$1,955,333	\$1,883,824
Contributions in Relation to the Contractually Required Contribution	<u>(2,140,216)</u>	<u>(2,083,035)</u>	<u>(1,955,333)</u>	<u>(1,883,824)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$15,287,257	\$14,878,821	\$13,966,664	\$13,455,886
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Asset/Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$1,867,378	\$1,633,046	\$1,823,448	\$1,803,384	\$1,742,376	\$1,784,112
(1,867,378)	(1,633,046)	(1,823,448)	(1,803,384)	(1,742,376)	(1,784,112)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,338,414	\$12,561,894	\$14,026,523	\$13,872,185	\$13,402,892	\$13,723,938
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$125,619	\$140,265	\$138,722	\$134,029	\$137,239
0	(125,619)	(140,265)	(138,722)	(134,029)	(137,239)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

New Philadelphia City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age setback for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on the RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

New Philadelphia City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

For fiscal year 2017 and prior actuarial valuation, 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 setback for age 90 and above. Females younger than age 80 are set back four years, one year setback from age 80 through 89, and no setback from age 90 and above.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2019	3.70 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 2019. Subsequent to the measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 1, 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020; however, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	10.553	N/A	\$0	\$15,583
National School Lunch Program	10.555	N/A	0	64,385
Non-Cash Assistance Subtotal			<u>0</u>	<u>79,968</u>
Cash Assistance:				
School Breakfast Program	10.553	N/A	0	132,278
National School Lunch Program	10.555	N/A	0	465,198
Cash Assistance Subtotal			<u>0</u>	<u>597,476</u>
Total Child Nutrition Cluster			<u>0</u>	<u>677,444</u>
Total U.S. Department of Agriculture			<u>0</u>	<u>677,444</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	S010A170035 S010A180035	0 27,206	94,446 614,839
Total Title I Grants to Local Educational Agencies			<u>27,206</u>	<u>709,285</u>
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	84.027	H027A170111 H027A180111	0 0	28,483 701,305
Total Special Education - Grants to States (IDEA, Part B)			<u>0</u>	<u>729,788</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A170119 H173A180119	0 0	2,752 25,941
Total Special Education - Preschool Grants (IDEA Preschool)			<u>0</u>	<u>28,693</u>
Total Special Education Cluster (IDEA)				758,481
English Language Acquisition State Grants	84.365	S365A170035 S365A180035	0 0	463 32,358
			<u>0</u>	<u>32,821</u>
Supporting Effective Instruction State Grant	84.367	S367A180034	0	51,273
Student Support and Academic Enrichment Program	84.424	S424A170036 S424A180036	0 0	1,326 16,522
			<u>0</u>	<u>17,848</u>
Total U.S. Department of Education			<u>27,206</u>	<u>1,569,708</u>
Total Expenditures of Federal Awards			<u>\$27,206</u>	<u>\$2,247,152</u>

The accompanying notes are an integral part of this Schedule.

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**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Philadelphia City School District (the School District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The School District passes certain federal awards received from Ohio Department of Education to other governments (subrecipients). As Note B describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E - 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 F – 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.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)**

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$113,447
Special Education - Grants to States (IDEA, Part B)	84.027	80,194
Supporting Effective Instruction State Grant	84.367	12,495
English Language Acquisition State Grants	84.365	8,019
Student Support and Academic Enrichment Program	84.424	7,728
Special Education - Preschool Grants (IDEA Preschool)	84.173	7,419



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the School District), as of and for the year ended June 30, 2019, 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 February 5, 2020.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2020



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the New Philadelphia City School District's, Tuscarawas County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the New Philadelphia City School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

The School District's basic financial statements include the operations of the Quaker Digital Academy, a discretely presented component unit of the School District, which expended \$350,687 in federal awards which is not included in the School District's Schedule of Expenditures of Federal Awards during the year ended June 30, 2019. Our audit, 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 because it expended less than \$750,000 of Federal awards for the year ended June 30, 2019, it was not subject to Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, New Philadelphia City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Keith Faber
Auditor of State
Columbus, Ohio

February 5, 2020

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY 18, 2020**