



Dave Yost • Auditor of State

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

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**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of New Philadelphia
Tuscarawas County
150 East High Avenue
New Philadelphia, Ohio 44663

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Safety Forces Operation Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 3 to the basic financial statements, the City's General Fund and High Tech Park Fund balances were restated due to the General Fund paying expenditures in 2009 for the High Tech Park fund and in 2010 the City was reimbursed for these expenditures through a grant. Fund balances at January 1, 2010 have been restated accordingly.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2011, on our consideration of the City'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule is required by U.S Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject 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.



Dave Yost
Auditor of State

September 8, 2011

City of New Philadelphia
Management's Discussion and Analysis
For the Year Ended December 31, 2010

The discussion and analysis of the City of New Philadelphia's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- General revenues accounted for \$8,790,215 in revenue or 41.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$12,485,136 or 58.7 percent of total revenues of \$21,275,351.
- Total program expenses were \$17,827,881; \$12,396,371 in governmental activities and \$5,431,510 in business-type activities.
- In total, net assets increased \$3,447,470. Net assets of governmental activities increased \$1,691,993, which represents a 5.5 percent increase from 2009. Net assets of business-type activities increased \$1,755,477 or 10.5 percent from 2009.
- Outstanding debt decreased from \$10,097,930 to \$9,406,933 through principal payments on debt.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2010 and how they affected the operations of the City as a whole.

Reporting the City of New Philadelphia as a Whole

Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of New Philadelphia, the General, Safety Forces Operation and Master Capital funds are the most significant governmental funds. The Water, Sewer and Sanitation Funds are the significant enterprise funds.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2010

A question typically asked about the City's finances "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

- ✓ Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community environment, leisure time activities and transportation.
- ✓ Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's Water, Sewer and Sanitation Funds are reported as business-type activities.

Reporting the City of New Philadelphia's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund, the Safety Forces Operation Fund and the Master Capital Fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Safety Forces Operation and Master Capital funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2010

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities (water, sewer and sanitation); therefore, these statements will essentially match.

The City of New Philadelphia as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2010 compared to 2009:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$ 11,156,044	\$ 9,933,025	\$ 4,096,512	\$ 2,892,222	\$ 15,252,556	\$ 12,825,247
Capital Assets	26,379,394	26,132,483	22,615,186	22,705,677	48,994,580	48,838,160
<i>Total Assets</i>	<u>37,535,438</u>	<u>36,065,508</u>	<u>26,711,698</u>	<u>25,597,899</u>	<u>64,247,136</u>	<u>61,663,407</u>
Liabilities						
Long-Term Liabilities	2,940,943	3,075,547	7,913,197	8,561,935	10,854,140	11,637,482
Other Liabilities	1,879,338	1,966,797	361,966	354,906	2,241,304	2,321,703
<i>Total Liabilities</i>	<u>4,820,281</u>	<u>5,042,344</u>	<u>8,275,163</u>	<u>8,916,841</u>	<u>13,095,444</u>	<u>13,959,185</u>
Net Assets						
Invested in Capital						
Assets, Net of Debt	24,547,819	24,145,158	15,977,539	15,522,128	40,525,358	39,667,286
Restricted	5,495,007	3,651,871	0	0	5,495,007	3,651,871
Unrestricted	2,672,331	3,226,135	2,458,996	1,158,930	5,131,327	4,385,065
<i>Total Net Assets</i>	<u>\$ 32,715,157</u>	<u>\$ 31,023,164</u>	<u>\$ 18,436,535</u>	<u>\$ 16,681,058</u>	<u>\$ 51,151,692</u>	<u>\$ 47,704,222</u>

Total assets increased by \$2,583,729 with governmental assets increasing \$1,469,930 and business-type assets increasing \$1,113,799. The majority of this increase was attributable to an increase in grants receivable for various repair projects of the City. An increase of \$156,420 in total capital assets reflects additions of capital assets exceeding depreciation expense. Total liabilities decreased by \$863,741 with governmental liabilities decreasing \$222,063 and business-type liabilities decreasing \$641,678. The majority of this decrease was the result of principal payments on debt.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2010

Total net assets increased by \$3,447,470. This number reflects an increase of \$1,691,993 in governmental activities and an increase of \$1,755,477 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal year 2010 and 2009. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,989,468	\$ 1,870,684	\$ 5,920,723	\$ 5,421,371	\$ 7,910,191	\$ 7,292,055
Operating Grants	1,486,055	1,150,334	387,435	258,920	1,873,490	1,409,254
Capital Grants	2,069,795	535,914	631,660	0	2,701,455	535,914
<i>General Revenues:</i>						
Property Taxes	1,109,737	1,132,791	350	129	1,110,087	1,132,920
Income Taxes	6,095,136	5,912,096	0	0	6,095,136	5,912,096
Grants and Entitlements	1,453,277	1,670,336	0	0	1,453,277	1,670,336
Investment Earnings	5,905	17,120	0	0	5,905	17,120
Other	104,402	165,704	21,408	42,331	125,810	208,035
<i>Total Revenues</i>	<u>14,313,775</u>	<u>12,454,979</u>	<u>6,961,576</u>	<u>5,722,751</u>	<u>21,275,351</u>	<u>18,177,730</u>
Program Expenses						
General Government	3,353,049	3,424,817	0	0	3,353,049	3,424,817
Security of Persons and Property	4,619,642	4,765,285	0	0	4,619,642	4,765,285
Transportation	2,399,824	2,537,816	0	0	2,399,824	2,537,816
Public Health Services	644,113	711,938	0	0	644,113	711,938
Community and Economic Development	307,735	499,100	0	0	307,735	499,100
Leisure Time Activities	977,255	1,059,786	0	0	977,255	1,059,786
Interest and Fiscal Charges	94,753	100,968	0	0	94,753	100,968
<i>Enterprise Operations:</i>						
Water	0	0	2,362,274	2,534,066	2,362,274	2,534,066
Sewer	0	0	1,622,352	1,746,261	1,622,352	1,746,261
Sanitation	0	0	1,446,884	1,327,983	1,446,884	1,327,983
<i>Total Program Expenses</i>	<u>12,396,371</u>	<u>13,099,710</u>	<u>5,431,510</u>	<u>5,608,310</u>	<u>17,827,881</u>	<u>18,708,020</u>
<i>Increase (Decrease) in Net Assets</i>	1,917,404	(644,731)	1,530,066	114,441	3,447,470	(530,290)
Transfers	(225,411)	(3,248)	225,411	3,248	0	0
<i>Increase (Decrease) in Net Assets</i>	1,691,993	(647,979)	1,755,477	117,689	3,447,470	(530,290)
<i>Net Assets at Beginning of Year</i>	<u>31,023,164</u>	<u>31,671,143</u>	<u>16,681,058</u>	<u>16,563,369</u>	<u>3,447,470</u>	<u>(530,290)</u>
<i>Net Assets at End of Year</i>	<u>\$ 32,715,157</u>	<u>\$ 31,023,164</u>	<u>\$ 18,436,535</u>	<u>\$ 16,681,058</u>	<u>\$ 6,894,940</u>	<u>\$ (1,060,580)</u>

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2010

Governmental Activities

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

The City's income tax is at a rate of 1.5 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

General revenues include grants and entitlements, such as local government funds. The combination of property tax, income tax, and intergovernmental fund all expenses in the governmental activities. The City monitors its source of revenues very closely for fluctuations.

General government represents the second largest expense of the governmental activities. This expense of \$3,353,049 represents 27.0 percent of the total expenses.

Police and fire (security of persons and property) represent the largest expense of the governmental activities. This expense of \$4,619,642 represents 37.3 percent of the total expenses. These two departments operate out of the General Fund and Safety Forces Fund.

The City also maintains a cemetery (public health services) and a park (leisure time services) within the City. These areas had expenses of \$1,621,368 in 2010 equaling 13.1 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2010, charges for services of \$5,920,723 accounted for 85.0 percent of the business-type revenues. The total expenses for the utilities were \$5,431,510. The City had an increase in net assets of \$1,755,477 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (including other financing sources) of \$12,657,438 and expenditures (including other financing uses) of \$13,053,968.

The City's general fund balance decreased by \$1,066,207, the safety forces operation fund balance increased by \$141,937 and the master capital fund balance increased by \$184,055. The decrease in fund balance in the general fund can be attributed to expenditures increasing faster than revenues. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All business-type funds had operating and non-operating expenses of \$5,431,510 which were less than operating and non-operating revenues and capital contributions of \$7,186,987, by \$1,755,477 or 29.5 percent of operating revenues.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2010

General Fund Budgeting Highlights

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

During the course of 2010, the City amended its General fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the General fund, actual receipts and other financing sources of \$5,290,192 was greater than final budgeted revenues and other financing sources of \$5,214,000 by \$76,192. The primary factor contributing to this was that actual interest revenue and fines and forfeitures revenue were lower than the final budgeted amount, even though actual amounts were higher in the areas of charges for services and rent.

Actual disbursements and other financing uses of the General fund of \$6,206,613 were \$847,388 lower than the final budgeted amount of \$7,054,001. The primary factor contributing to this was disbursements in the area of security of persons and property and capital outlay was below budgeted amounts.

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the City had \$48,994,580 invested in land, construction in progress, buildings, improvements, equipment, infrastructure and vehicles. A total of \$26,379,394 of this was for governmental activities with the remainder of \$22,615,186 being attributable to business-type activities. Table 3 shows fiscal year 2010 balances compared with 2009.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 816,583	\$ 816,583	\$ 51,892	\$ 51,892	\$ 868,475	\$ 868,475
Buildings and Building Improvements	3,950,450	4,106,393	4,585,515	4,747,555	8,535,965	8,853,948
Improvements Other Than Buildings	3,241,346	3,300,485	5,151,085	5,360,634	8,392,431	8,661,119
Machinery and Equipment	773,378	750,603	666,897	601,140	1,440,275	1,351,743
Furniture and Fixtures	19,100	20,849	1,028	1,028	20,128	21,877
Vehicles	1,810,612	1,329,633	548,371	601,898	2,358,983	1,931,531
Construction in Progress	361,203	175,235	0	32,750	361,203	207,985
Infrastructure	15,406,722	15,632,702	0	0	15,406,722	15,632,702
Water Lines	0	0	7,381,435	7,593,443	7,381,435	7,593,443
Sewer Lines	0	0	4,228,963	3,715,337	4,228,963	3,715,337
Totals	\$ 26,379,394	\$ 26,132,483	\$ 22,615,186	\$ 22,705,677	\$ 48,994,580	\$ 48,838,160

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2010

The \$156,420 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 9 provides capital asset activity during 2010.

Debt

The outstanding debt for the City of New Philadelphia as of December 31, 2010 was \$9,406,933 with \$705,209 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 1,755,000	\$ 1,875,000	\$ 0	\$ 0	\$ 1,755,000	\$ 1,875,000
OPWC Loans	0	0	382,573	417,321	382,573	417,321
OWDA Loans	0	0	7,269,360	7,805,609	7,269,360	7,805,609
<i>Total</i>	<u>\$ 1,755,000</u>	<u>\$ 1,875,000</u>	<u>\$ 7,651,933</u>	<u>\$ 8,222,930</u>	<u>\$ 9,406,933</u>	<u>\$ 10,097,930</u>

The general obligation bonds are city improvement bonds.

Additional information concerning the City's debt can be found in Note 15 to the basic financial statements.

Current Financial Issues

The City of New Philadelphia continued to experience financial challenges during 2010. Although revenue showed a gross gain of \$300,000, approximately \$250,000 of this gain was attributed to a one-time reimbursement of grant money for a federally-funded project. Gross expenses for 2010 increased approximately \$250,000 as compared to 2009.

Utility rates remained unchanged in 2010, with the exception of the Sewer Fund. These rates also will remain unchanged in 2011. In late 2010, a \$0.50 per month increase was recommended for minimum users during 2011 with a 4% sewer-only increase for usage over the minimum. At year-end 2010, New Philadelphia City Council voted in favor of this increase for 2011. Utility rates are analyzed on an annual basis, and, therefore, increases for 2012 are possible. Although interest revenue for 2010 was minimal, the City does not rely on this source of income to substantially fund operations.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2010

Income tax revenue for the City showed an approximate increase of 3% in comparison to 2009, an encouraging sign for the City. The City underwent major renovations and investments to infrastructure in the West High corridor as evidenced by the completion of a multi-million-dollar, four-story Holiday Inn Express hotel. Additionally, the Best Western hotel was completely renovated with the inclusion of a new, upscale restaurant situated in the former Texas Roadhouse location. The City, in partnership with the Ohio Department of Transportation, completed a major repaving project on West High Avenue from Interstate 77 East to the railroad tracks. This high volume, four-lane street was in need of major repairs. It now complements major investments made by private-sector businesses and serves as the main artery into the City proper. In addition, the old Ohio Department of Transportation District 11 relocated their headquarters to the Tuscarawas County Port Authority. The Port Authority has the ability to redevelop the old eight-acre ODOT site into a prime productive business development location from what was once contaminated ground with deteriorated buildings.

In 2010, the Tuscarawas County CIC was pleased to learn of the availability of an additional grant slightly in excess of \$2,000,000, which is earmarked for the development of the new incubator business location in the Tech Park. This grant doubles the size of this incubator building. The caveat for use of this money is to work in partnership with Kent State University on the development of the Tech Park. A concerted effort was undertaken between CIC and Kent State University to outline the details of this development. Groundbreaking for this 25,000 square foot facility is slated for summer of 2011, which will complete the first initiative in the development of new business into the Tech Park. Nasco-Op, a recycling-related co-op, broke ground in 2010 for a new location in the Knisely Industrial Park near Kimble Manufacturing. This relocation of Nasco-Op from downtown New Philadelphia will eventually provide some new job growth for a longtime, established business in our City.

The City completed many projects in 2010, some planned and some done on an emergency basis. The Third Street NE storm sewer project primarily funded through the Ohio Public works Commission was to solve a longstanding water and drainage problem in the Third Street NE area. In addition, the City had major unplanned repairs to a storm sewer collapse off Bank Lane SE as well as the collapse of a large stone retaining wall. The Water Distribution Department, in conjunction with the Ohio EPA, introduced a test pilot project to re-add CO₂ to our water supply to help with a scaling issue in our water lines and meters. This program proved successful, and the CO₂ addition will continue to move forward.

All-in-all, much was accomplished in 2010 with the City departments working within their budgets, which resulted in no encumbrance of additional debt. Year 2011 will present challenges as the City moves into a new year. With the collaboration and teamwork of our department heads and staff, these challenges will be proactively addressed.

Contacting the City's Finance Department

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

City of New Philadelphia
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 4,380,006	\$ 2,660,327	\$ 7,040,333
Cash and Cash Equivalents in Segregated Accounts	93,113	0	93,113
Accounts Receivable	252,668	670,077	922,745
Intergovernmental Receivable	3,650,544	360,213	4,010,757
Taxes Receivable	2,622,501	0	2,622,501
Materials and Supplies Inventory	157,212	405,895	563,107
Non-Depreciable Capital Assets	1,177,786	51,892	1,229,678
Depreciable Capital Assets, Net	25,201,608	22,563,294	47,764,902
<i>Total Assets</i>	<u>37,535,438</u>	<u>26,711,698</u>	<u>64,247,136</u>
Liabilities			
Accounts Payable	134,878	102,589	237,467
Accrued Wages	82,412	32,544	114,956
Contracts Payable	284,784	59,548	344,332
Intergovernmental Payable	364,640	77,929	442,569
Undistributed Monies	794	0	794
Accrued Interest Payable	7,066	20,555	27,621
Deferred Revenue	893,040	0	893,040
Accrued Vacation Leave Payable	104,564	68,801	173,365
Matured Compensated Absences Payable	7,160	0	7,160
Long-Term Liabilities:			
Due Within One Year	443,864	668,359	1,112,223
Due in More Than One Year	2,497,079	7,244,838	9,741,917
<i>Total Liabilities</i>	<u>4,820,281</u>	<u>8,275,163</u>	<u>13,095,444</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	24,547,819	15,977,539	40,525,358
Restricted for Debt Service	104,597	0	104,597
Restricted for Capital Outlay	3,979,719	0	3,979,719
Restricted for Other Purposes	1,410,691	0	1,410,691
Unrestricted	2,672,331	2,458,996	5,131,327
<i>Total Net Assets</i>	<u>\$ 32,715,157</u>	<u>\$ 18,436,535</u>	<u>\$ 51,151,692</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,353,049	\$ 933,727	\$ 5,746	\$ 0	\$ (2,413,576)	\$ 0	\$ (2,413,576)
Security of Persons and Property	4,619,642	537,246	55,081	4,215	(4,023,100)	0	(4,023,100)
Public Health	644,113	198,377	13,624	0	(432,112)	0	(432,112)
Leisure Time Services	977,255	83,393	0	0	(893,862)	0	(893,862)
Community and Economic Development	307,735	187,936	506,400	532,870	919,471	0	919,471
Transportation	2,399,824	48,789	905,204	1,532,710	86,879	0	86,879
Interest and Fiscal Charges	94,753	0	0	0	(94,753)	0	(94,753)
<i>Total Governmental Activities</i>	<u>12,396,371</u>	<u>1,989,468</u>	<u>1,486,055</u>	<u>2,069,795</u>	<u>(6,851,053)</u>	<u>0</u>	<u>(6,851,053)</u>
Business-Type Activities							
Sanitation	1,446,884	1,423,573	357,435	0	0	334,124	334,124
Water	2,362,274	2,399,310	30,000	496,610	0	563,646	563,646
Sewer	1,622,352	2,097,840	0	135,050	0	610,538	610,538
<i>Total Business-Type Activities</i>	<u>5,431,510</u>	<u>5,920,723</u>	<u>387,435</u>	<u>631,660</u>	<u>0</u>	<u>1,508,308</u>	<u>1,508,308</u>
<i>Total - Primary Government</i>	<u>\$ 17,827,881</u>	<u>\$ 7,910,191</u>	<u>\$ 1,873,490</u>	<u>\$ 2,701,455</u>	<u>(6,851,053)</u>	<u>1,508,308</u>	<u>(5,342,745)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					934,340	0	934,340
Other Purposes					175,397	350	175,747
Income Taxes Levied for:							
General Purposes					2,127,154	0	2,127,154
Safety Forces Operation					2,044,949	0	2,044,949
Capital Projects					877,794	0	877,794
Other Purposes					1,045,239	0	1,045,239
Grants and Entitlements not Restricted to Specific Programs					1,453,277	0	1,453,277
Investment Earnings					5,905	0	5,905
Miscellaneous					104,402	21,408	125,810
<i>Total General Revenues</i>					<u>8,768,457</u>	<u>21,758</u>	<u>8,790,215</u>
Transfers					(225,411)	225,411	0
<i>Total General Revenues and Transfers</i>					<u>8,543,046</u>	<u>247,169</u>	<u>8,790,215</u>
<i>Change in Net Assets</i>					<u>1,691,993</u>	<u>1,755,477</u>	<u>3,447,470</u>
<i>Net Assets Beginning of Year</i>					<u>31,023,164</u>	<u>16,681,058</u>	<u>47,704,222</u>
<i>Net Assets End of Year</i>					<u>\$ 32,715,157</u>	<u>\$ 18,436,535</u>	<u>\$ 51,151,692</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Balance Sheet
Governmental Funds
December 31, 2010

	General	Safety Forces Operation	Master Capital	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,190,534	\$ 221,677	\$ 1,032,755	\$ 1,935,040	\$ 4,380,006
Cash and Cash Equivalents in Segregated Accounts	0	0	0	93,113	93,113
Accounts Receivable	20,560	0	0	232,108	252,668
Intergovernmental Receivable	546,214	0	1,566,800	1,537,530	3,650,544
Taxes Receivable	1,380,888	568,639	244,828	428,146	2,622,501
Materials and Supplies Inventory	75,870	0	0	81,342	157,212
<i>Total Assets</i>	<u>\$ 3,214,066</u>	<u>\$ 790,316</u>	<u>\$ 2,844,383</u>	<u>\$ 4,307,279</u>	<u>\$ 11,156,044</u>
Liabilities					
Accounts Payable	51,422	5,548	26,517	51,391	134,878
Accrued Wages	55,183	12,462	0	14,767	82,412
Contracts Payable	0	0	247,816	36,968	284,784
Intergovernmental Payable	96,846	232,044	0	35,750	364,640
Undistributed Monies	0	0	0	794	794
Deferred Revenue	1,291,975	156,885	1,479,968	1,218,027	4,146,855
Matured Compensated Absences Payable	0	7,160	0	0	7,160
<i>Total Liabilities</i>	<u>1,495,426</u>	<u>414,099</u>	<u>1,754,301</u>	<u>1,357,697</u>	<u>5,021,523</u>
Fund Balances					
Reserved for Encumbrances	49,034	12,092	5,623	41,230	107,979
Reserved for Unclaimed Monies	27,343	0	0	0	27,343
Unreserved, Undesignated, Reported in:					
General Fund	1,642,263	0	0	0	1,642,263
Special Revenue Funds	0	364,125	0	1,872,435	2,236,560
Debt Service Funds	0	0	0	111,663	111,663
Capital Projects Funds	0	0	1,084,459	506,562	1,591,021
Permanent Funds	0	0	0	417,692	417,692
<i>Total Fund Balances</i>	<u>1,718,640</u>	<u>376,217</u>	<u>1,090,082</u>	<u>2,949,582</u>	<u>6,134,521</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,214,066</u>	<u>\$ 790,316</u>	<u>\$ 2,844,383</u>	<u>\$ 4,307,279</u>	<u>\$ 11,156,044</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010*

Total Governmental Fund Balances	\$	6,134,521
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,379,394
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	\$	39,029
Income Tax		460,345
Intergovernmental		2,693,088
Charges for Services		<u>61,353</u>

Total		3,253,815
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Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,066)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds		(1,755,000)
Capital Leases		(76,575)
Accrued Vacation Leave Payable		(104,564)
Compensated Absences		<u>(1,109,368)</u>

Total		<u>(3,045,507)</u>
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<i>Net Assets of Governmental Activities</i>	\$	<u><u>32,715,157</u></u>
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See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Safety Forces Operation	Master Capital	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 930,950	\$ 0	\$ 0	\$ 174,763	\$ 1,105,713
Income Taxes	2,115,778	2,050,171	875,914	1,067,821	6,109,684
Special Assessments	1,760	0	0	0	1,760
Charges for Services	108,610	0	0	580,494	689,104
Licenses and Permits	4,747	0	0	252,728	257,475
Fines and Forfeitures	282,005	0	0	570,080	852,085
Intergovernmental	1,238,600	0	154,362	1,781,481	3,174,443
Interest	5,905	0	0	2,993	8,898
Rent	128,255	0	0	38,976	167,231
Contributions and Donations	4,215	0	15,450	0	19,665
Other	57,308	0	0	47,094	104,402
<i>Total Revenues</i>	<u>4,878,133</u>	<u>2,050,171</u>	<u>1,045,726</u>	<u>4,516,430</u>	<u>12,490,460</u>
Expenditures					
Current:					
General Government	2,530,400	0	0	761,186	3,291,586
Security of Persons and Property	1,857,975	1,899,234	0	709,637	4,466,846
Public Health	239,948	0	0	363,072	603,020
Leisure Time Services	688,843	0	0	13,029	701,872
Community and Economic Development	0	0	0	195,346	195,346
Transportation	35,719	0	0	1,321,796	1,357,515
Capital Outlay	426,115	9,000	861,671	723,086	2,019,872
Debt Service:					
Principal Retirement	35,750	0	0	120,000	155,750
Interest and Fiscal Charges	5,235	0	0	89,948	95,183
<i>Total Expenditures</i>	<u>5,819,985</u>	<u>1,908,234</u>	<u>861,671</u>	<u>4,297,100</u>	<u>12,886,990</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(941,852)</u>	<u>141,937</u>	<u>184,055</u>	<u>219,330</u>	<u>(396,530)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	166,978	166,978
Transfers Out	(124,355)	0	0	(42,623)	(166,978)
<i>Total Other Financing Sources (Uses)</i>	<u>(124,355)</u>	<u>0</u>	<u>0</u>	<u>124,355</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,066,207)	141,937	184,055	343,685	(396,530)
<i>Fund Balance Beginning of Year (Restated, See Note 3)</i>	<u>2,784,847</u>	<u>234,280</u>	<u>906,027</u>	<u>2,605,897</u>	<u>6,531,051</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,718,640</u>	<u>\$ 376,217</u>	<u>\$ 1,090,082</u>	<u>\$ 2,949,582</u>	<u>\$ 6,134,521</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010*

Net Change in Fund Balances - Total Governmental Funds		\$ (396,530)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 1,579,432	
Current Year Depreciation	<u>(1,249,124)</u>	
Total		330,308
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.		
		(83,397)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	4,024	
Income Tax	(14,548)	
Intergovernmental	1,699,943	
Charges for Services	<u>23,573</u>	
Total		1,712,992
Repayment of bond principal and capital lease principal payments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		155,750
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		430
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable	(6,414)	
Compensated Absences	<u>(21,146)</u>	
Total		<u>(27,560)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 1,691,993</u></u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2010*

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 1,031,500	\$ 941,500	\$ 930,950	\$ (10,550)
Income Taxes	2,150,000	2,100,000	2,100,625	625
Special Assessments	0	0	1,760	1,760
Charges for Services	18,100	88,100	108,610	20,510
Licenses and Permits	5,000	5,000	4,747	(253)
Fines and Forfeitures	345,700	345,700	289,057	(56,643)
Intergovernmental	1,397,015	1,517,015	1,652,083	135,068
Interest	175,000	52,875	6,271	(46,604)
Rent	45,000	45,000	128,313	83,313
Contributions and Donations	3,600	3,600	4,215	615
Other	115,210	115,210	63,561	(51,649)
<i>Total Revenues</i>	<u>5,286,125</u>	<u>5,214,000</u>	<u>5,290,192</u>	<u>76,192</u>
Expenditures				
Current:				
General Government	2,821,452	2,827,452	2,612,558	214,894
Security of Persons and Property	2,307,878	2,307,878	1,997,965	309,913
Public Health	298,822	298,822	249,599	49,223
Leisure Time Services	766,128	766,128	713,988	52,140
Transportation	50,130	50,130	41,048	9,082
Capital Outlay	460,100	476,591	426,115	50,476
Debt Service:				
Principal Retirement	35,760	35,760	35,750	10
Interest and Fiscal Charges	5,240	5,240	5,235	5
<i>Total Expenditures</i>	<u>6,745,510</u>	<u>6,768,001</u>	<u>6,082,258</u>	<u>685,743</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,459,385)</u>	<u>(1,554,001)</u>	<u>(792,066)</u>	<u>761,935</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(286,000)</u>	<u>(286,000)</u>	<u>(124,355)</u>	<u>161,645</u>
<i>Net Change in Fund Balance</i>	(1,745,385)	(1,840,001)	(916,421)	923,580
<i>Fund Balance Beginning of Year</i>	1,618,721	1,618,721	1,618,721	0
Prior Year Encumbrances Appropriated	<u>402,246</u>	<u>402,246</u>	<u>402,246</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 275,582</u>	<u>\$ 180,966</u>	<u>\$ 1,104,546</u>	<u>\$ 923,580</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Operation Fund
For the Year Ended December 31, 2010*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Income Taxes	\$ 2,100,000	\$ 1,900,000	\$ 2,049,713	\$ 149,713
<i>Total Revenues</i>	<u>2,100,000</u>	<u>1,900,000</u>	<u>2,049,713</u>	<u>149,713</u>
Expenditures				
Current:				
Security of Persons and Property	1,952,436	1,950,469	1,907,435	43,034
Capital Outlay	<u>11,250</u>	<u>11,250</u>	<u>9,000</u>	<u>2,250</u>
<i>Total Expenditures</i>	<u>1,963,686</u>	<u>1,961,719</u>	<u>1,916,435</u>	<u>45,284</u>
<i>Net Change in Fund Balance</i>	136,314	(61,719)	133,278	194,997
<i>Fund Balance Beginning of Year</i>	54,153	54,153	54,153	0
Prior Year Encumbrances Appropriated	<u>18,217</u>	<u>18,217</u>	<u>18,217</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 208,684</u></u>	<u><u>\$ 10,651</u></u>	<u><u>\$ 205,648</u></u>	<u><u>\$ 194,997</u></u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Fund Net Assets
Proprietary Funds
December 31, 2010

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,073,657	\$ 709,718	\$ 876,952	\$ 2,660,327
Accounts Receivable	341,890	326,071	2,116	670,077
Intergovernmental Receivable	0	184,699	175,514	360,213
Materials and Supplies Inventory	383,655	9,653	12,587	405,895
<i>Total Current Assets</i>	<u>1,799,202</u>	<u>1,230,141</u>	<u>1,067,169</u>	<u>4,096,512</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	6,845	35,054	9,993	51,892
Depreciable Capital Assets, Net	10,189,389	12,095,084	278,821	22,563,294
<i>Total Non-Current Assets</i>	<u>10,196,234</u>	<u>12,130,138</u>	<u>288,814</u>	<u>22,615,186</u>
<i>Total Assets</i>	<u>11,995,436</u>	<u>13,360,279</u>	<u>1,355,983</u>	<u>26,711,698</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	28,436	30,197	43,956	102,589
Accrued Wages	13,719	9,381	9,444	32,544
Contracts Payable	0	59,548	0	59,548
Intergovernmental Payable	32,341	23,660	21,928	77,929
Accrued Interest Payable	0	20,555	0	20,555
Accrued Vacation Leave Payable	37,335	22,027	9,439	68,801
Compensated Absences Payable	12,205	13,006	10,663	35,874
Capital Leases Payable	0	57,276	0	57,276
OPWC Loans Payable	5,000	31,540	0	36,540
OWDA Loans Payable	0	538,669	0	538,669
<i>Total Current Liabilities</i>	<u>129,036</u>	<u>805,859</u>	<u>95,430</u>	<u>1,030,325</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	85,790	52,008	30,316	168,114
OPWC Loans Payable - Net of Current Portion	71,792	274,241	0	346,033
OWDA Loans Payable - Net of Current Portion	0	6,730,691	0	6,730,691
<i>Total Long-Term Liabilities</i>	<u>157,582</u>	<u>7,056,940</u>	<u>30,316</u>	<u>7,244,838</u>
<i>Total Liabilities</i>	<u>286,618</u>	<u>7,862,799</u>	<u>125,746</u>	<u>8,275,163</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	10,121,234	5,567,491	288,814	15,977,539
Unrestricted	1,587,584	(70,011)	941,423	2,458,996
<i>Total Net Assets</i>	<u>\$ 11,708,818</u>	<u>\$ 5,497,480</u>	<u>\$ 1,230,237</u>	<u>\$ 18,436,535</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Operating Revenues				
Charges for Services	\$ 2,399,310	\$ 2,097,840	\$ 1,423,573	\$ 5,920,723
Other	20,208	880	320	21,408
<i>Total Operating Revenues</i>	<u>2,419,518</u>	<u>2,098,720</u>	<u>1,423,893</u>	<u>5,942,131</u>
Operating Expenses				
Salaries and Wages	792,239	508,933	556,306	1,857,478
Fringe Benefits	256,707	229,308	206,510	692,525
Contractual Services	489,378	209,783	539,074	1,238,235
Materials and Supplies	369,280	141,626	110,707	621,613
Depreciation	454,670	487,179	34,287	976,136
<i>Total Operating Expenses</i>	<u>2,362,274</u>	<u>1,576,829</u>	<u>1,446,884</u>	<u>5,385,987</u>
<i>Operating Income (Loss)</i>	<u>57,244</u>	<u>521,891</u>	<u>(22,991)</u>	<u>556,144</u>
Non-Operating Revenues (Expense)				
Intergovernmental	30,000	407,110	357,435	794,545
Property Taxes	350	0	0	350
Interest and Fiscal Charges	0	(45,523)	0	(45,523)
<i>Total Non-Operating Revenues (Expense)</i>	<u>30,350</u>	<u>361,587</u>	<u>357,435</u>	<u>749,372</u>
<i>Income (Loss) Before Contributions</i>	87,594	883,478	334,444	1,305,516
Capital Contributions	89,500	360,461	0	449,961
<i>Change in Net Assets</i>	177,094	1,243,939	334,444	1,755,477
<i>Net Assets Beginning of Year</i>	<u>11,531,724</u>	<u>4,253,541</u>	<u>895,793</u>	<u>16,681,058</u>
<i>Net Assets End of Year</i>	<u>\$ 11,708,818</u>	<u>\$ 5,497,480</u>	<u>\$ 1,230,237</u>	<u>\$ 18,436,535</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,381,175	\$ 2,091,130	\$ 1,421,457	\$ 5,893,762
Other Operating Receipts	20,208	880	320	21,408
Cash Payments to Suppliers for Goods and Services	(458,243)	(133,515)	(116,209)	(707,967)
Cash Payments to Employees	(1,087,603)	(763,002)	(782,247)	(2,632,852)
Cash Payments for Contractual Services	(496,727)	(202,719)	(524,685)	(1,224,131)
<i>Net Cash Provided by(Used For) Operating Activities</i>	<u>358,810</u>	<u>992,774</u>	<u>(1,364)</u>	<u>1,350,220</u>
Cash Flows from Noncapital Financing Activities				
Intergovernmental Revenue	30,000	223,911	204,826	458,737
Property Taxes	350	0	0	350
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>30,350</u>	<u>223,911</u>	<u>204,826</u>	<u>459,087</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from OPWC Loans	1,792	0	0	1,792
Acquisition of Capital Assets	(7,500)	(371,036)	0	(378,536)
Principal Payments on Debt	(5,000)	(623,192)	0	(628,192)
Interest Payments on Debt	0	(46,726)	0	(46,726)
<i>Net Cash Provide by (Used for) Capital and Related Financing Activities</i>	<u>(10,708)</u>	<u>(1,040,954)</u>	<u>0</u>	<u>(1,051,662)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	378,452	175,731	203,462	757,645
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>695,205</u>	<u>533,987</u>	<u>673,490</u>	<u>1,902,682</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 1,073,657</u>	<u>\$ 709,718</u>	<u>\$ 876,952</u>	<u>\$ 2,660,327</u>

(Continued)

City of New Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 57,244	\$ 521,891	\$ (22,991)	\$ 556,144
Adjustments:				
Depreciation	454,670	487,179	34,287	976,136
Loss on Disposal of Capital Assets	0	0	900	900
(Increase) Decrease in Assets:				
Accounts Receivable	(18,135)	(6,710)	(2,116)	(26,961)
Materials and Supplies Inventory	(81,865)	3,491	(5,502)	(83,876)
Increase (Decrease) in Liabilities:				
Accounts Payable	(14,447)	11,684	13,489	10,726
Accrued Wages	(23,219)	(18,744)	(12,689)	(54,652)
Accrued Vacation Leave Payable	3,021	(595)	472	2,898
Compensated Absences Payable	(14,078)	(2,811)	(5,449)	(22,338)
Intergovernmental Payable	(4,381)	(2,611)	(1,765)	(8,757)
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 358,810</u>	<u>\$ 992,774</u>	<u>\$ (1,364)</u>	<u>\$ 1,350,220</u>

Noncash Capital Financing Activities:

During 2010, capital assets were contributed by governmental activities to the sewer enterprise fund in the amount of \$225,411. During 2010, developers contributed capital assets in the amount of \$89,500 and \$135,050 to the water and sewer funds, respectively.

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2010

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 87,873
Cash and Cash Equivalents in Segregated Accounts	153,411
Accounts Receivable	<u>2,086</u>
<i>Total Assets</i>	<u>\$ 243,370</u>
Liabilities	
Undistributed Monies	<u>\$ 243,370</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2010

NOTE 1: REPORTING ENTITY

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

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

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

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

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

The City is associated with certain organizations which are defined as Jointly Governed Organizations. These organizations are presented in the notes to the basic financial statements (See Note 18). These organizations are:

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (“FASB”) to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to follow FASB guidelines for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

Master Capital Capital Projects Fund. The master capital capital projects fund is used to account for the capital projects and expenditures of the governmental funds.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

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

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for court collections that are distributed to various other governmental entities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

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

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

D. Basis of Accounting

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Cash Equivalents

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

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

During 2010, investments were limited to STAROhio, (the State Treasury Asset Reserve of Ohio), certificates of deposit and money market accounts.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amounted to \$5,905, which includes \$4,576 assigned from other City funds.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 5, Deposits and Investments.

F. Materials and Supplies Inventory

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

G. Capital Assets

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Building Improvements	30-40 Years	30-40 Years
Improvements Other Than Buildings	10-50 Years	10-50 Years
Machinery and Equipment	10-30 Years	10-30 Years
Furniture and Fixtures	10-30 Years	20 Years
Vehicles	10 Years	10 Years
Infrastructure	42-50 Years	42-50 Years

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

H. Compensated Absences

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2010, \$114,484 of the City's net assets were restricted by enabling legislation.

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

K. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances and unclaimed monies.

L. Operating Revenues and Expenses

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Contributions of Capital

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

N. Interfund Activity

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

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

O. Extraordinary and Special Items

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

P. Estimates

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

Q. Budgetary Data

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

R. Implementation of New Accounting Policies

For the year ended December 31, 2010, the City has implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*,” GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*,” and GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*.”

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the City.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 3: RESTATEMENT OF NET ASSETS/FUND BALANCE

It has been determined the High Tech Park fund owed the General fund \$258,022 at December 31, 2009. During 2009, the General fund paid expenditures related to the High Tech Park project due to lack of funds in the High Tech Park fund. In 2010, the City was reimbursed for these expenditures through a grant, and the General fund was repaid. Beginning fund balances have been restated as follows:

	General Fund	All Other Governmental Funds
Previously Reported Fund Balance at 12/31/09	\$ 2,526,825	\$ 2,863,919
Due From Other Funds	258,022	0
Due To Other Funds	0	(258,022)
Restated Fund Balance at 1/1/10	\$ 2,784,847	\$ 2,605,897

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance (GAAP).

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>General</u>	<u>Safety Forces Operation</u>
GAAP Basis	\$ (1,059,164)	\$ 141,937
Revenue accruals	412,059	(458)
Expenditure accruals	(176,287)	7,829
Encumbrances	<u>(93,029)</u>	<u>(16,030)</u>
 Budget Basis	 <u>\$ (916,421)</u>	 <u>\$ 133,278</u>

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City’s name. During 2010, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At year-end, the carrying amount of the City’s deposits was \$6,379,478. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2010, \$5,980,681 of the City’s bank balance of \$6,730,681 was exposed to custodial risk as discussed above, was uninsured and uncollateralized, while \$750,000 was covered by Federal Deposit Insurance Corporation.

Investments

As of December 31, 2010, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	<u>\$ 995,252</u>	<u>\$ 995,252</u>

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

Credit Risk Standard & Poor’s has assigned STAROhio an AAAM rating.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk The following table includes the percentage to total of each investment type held by the City at December 31, 2010:

Investment Type	Fair Value	Percent of Total
STAROhio	\$ 995,252	100.00%

NOTE 6: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

Real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes collected in 2010 are intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien on December 31, 2009, are levied after October 1, 2010, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory is zero for 2010. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 6: PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2010 was \$3.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$ 319,406,430
Public Utility Real Property and Minerals	54,530
Public Utility Tangible Property	8,117,700
Tangible Personal Property	<u>283,620</u>
Total	<u><u>\$ 327,862,280</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of New Philadelphia. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the general fund; police pension, fire pension and police and fire operating special revenue funds; and general obligation bond debt service fund; the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7: RECEIVABLES

Receivables at December 31, 2010 consisted of taxes, accounts (billed and unbilled user charged services) and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts and intergovernmental receivables are deemed collectible in full.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 8: INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The street lighting special revenue fund, fire truck note fund, and the debt service fund receive an allocation from the income tax that is established annually by Council. The balance is allocated 51 percent to the general fund, 25 percent to the master capital improvement capital projects fund, 13 percent to the street maintenance and repair special revenue fund, 8 percent to the police and fire pension special revenue fund, and 3 percent to the cemetery special revenue fund.

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City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2010 follows:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 816,583	\$ 0	\$ 0	\$ 816,583
Construction in Progress	175,235	185,968	0	361,203
<i>Total Capital Assets Not Being Depreciated</i>	<u>991,818</u>	<u>185,968</u>	<u>0</u>	<u>1,177,786</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	7,256,323	0	0	7,256,323
Improvements Other than Buildings	5,176,176	84,924	0	5,261,100
Machinery and Equipment	3,189,960	187,558	(89,593)	3,287,925
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	3,358,967	610,129	(33,300)	3,935,796
Infrastructure	26,598,718	510,853	0	27,109,571
<i>Total Capital Assets, Being Depreciated</i>	<u>45,690,235</u>	<u>1,393,464</u>	<u>(122,893)</u>	<u>46,960,806</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(3,149,930)	(155,943)	0	(3,305,873)
Improvements Other than Buildings	(1,875,691)	(144,063)	0	(2,019,754)
Machinery and Equipment	(2,439,357)	(83,051)	7,861	(2,514,547)
Furniture and Fixtures	(89,242)	(1,749)	0	(90,991)
Vehicles	(2,029,334)	(127,485)	31,635	(2,125,184)
Infrastructure	(10,966,016)	(736,833)	0	(11,702,849)
<i>Total Accumulated Depreciation</i>	<u>(20,549,570)</u>	<u>(1,249,124) *</u>	<u>39,496</u>	<u>(21,759,198)</u>
<i>Total Capital Assets Being Depreciated</i>	<u>25,140,665</u>	<u>144,340</u>	<u>(83,397)</u>	<u>25,201,608</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 26,132,483</u>	<u>\$ 330,308</u>	<u>\$ (83,397)</u>	<u>\$ 26,379,394</u>

*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 58,927
Leisure Time Services	186,415
Public Health	12,871
Security of Persons and Property	96,304
Transportation	798,724
Community and Economic Development	<u>95,883</u>
Total	<u>\$ 1,249,124</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 9: CAPITAL ASSETS (Continued)

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Business-Type Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 51,892	\$ 0	\$ 0	\$ 51,892
Construction in Progress	32,750	0	(32,750)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>84,642</u>	<u>0</u>	<u>(32,750)</u>	<u>51,892</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings	9,045,263	79,049	0	9,124,312
Improvements Other than Buildings	6,848,952	0	0	6,848,952
Machinery and Equipment	4,476,663	125,273	0	4,601,936
Furniture and Fixtures	20,554	0	0	20,554
Vehicles	1,948,182	10,000	(17,991)	1,940,191
Sewer lines	6,107,368	615,473	0	6,722,841
Water lines	14,272,024	89,500	0	14,361,524
<i>Total Capital Assets, Being Depreciated</i>	<u>42,719,006</u>	<u>919,295</u>	<u>(17,991)</u>	<u>43,620,310</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(4,297,708)	(241,089)	0	(4,538,797)
Improvements other than buildings	(1,488,318)	(209,549)	0	(1,697,867)
Machinery and equipment	(3,875,523)	(59,516)	0	(3,935,039)
Furniture and fixtures	(19,526)	0	0	(19,526)
Vehicles	(1,346,284)	(62,627)	17,091	(1,391,820)
Sewer lines	(2,392,031)	(101,847)	0	(2,493,878)
Water lines	(6,678,581)	(301,508)	0	(6,980,089)
<i>Total Accumulated Depreciation</i>	<u>(20,097,971)</u>	<u>(976,136)</u>	<u>17,091</u>	<u>(21,057,016)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>22,621,035</u>	<u>(56,841)</u>	<u>(900)</u>	<u>22,563,294</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 22,705,677</u>	<u>\$ (56,841)</u>	<u>\$ (33,650)</u>	<u>\$ 22,615,186</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2010, the City contracted with several companies for various types of insurance as follows:

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

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

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature, but less than, the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in State and local classifications contributed 10.0 percent of covered payroll and public safety members and law enforcement members contributed 10.5 percent and 11.1 percent, respectively.

The City's contribution rate for 2010 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. For 2010, a portion of the City's contribution of covered payroll was allocated to fund the post-employment health care plan. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$430,719, \$337,033 and \$333,811, respectively; 95.40 percent has been contributed for 2010 and 100 percent for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$14,078 made by the City and \$10,056 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2010, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$183,506 and \$302,063, \$139,666 and \$228,038 and \$139,715 and \$223,107 for the years ended December 31, 2010, 2009 and 2008, respectively. The full amount has been contributed for 2009 and 2008. 77.9 percent has been contributed for police and 77.6 percent for firefighters for 2010.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222- 5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.0 percent of covered payroll and public safety and law enforcement employers contributed 17.87 percent. The Ohio Revised Code currently limits the employer contributions to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$245,334, \$337,033 and \$333,811, respectively. Contributions to fund post-employment health care benefits for the member-directed plan for 2010 were \$109,488. 92.2 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2009, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$98,103 and \$118,199, \$73,941 and \$89,232 and \$73,967 and \$87,303 for the years ended December 31, 2010, 2009 and 2008, respectively. The full amount has been contributed for 2009 and 2008. 77.9 percent has been contributed for police and 77.6 percent for firefighters for 2010.

NOTE 13: OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City contracts with AultCare for major medical insurance, Vision Service Plan for vision insurance for all full-time employees, and AFSCME Care Plan for full-time AFSCME union employees. The City pays \$2.16 for single eye care, \$4.89 for family eye care and \$26.00 for dental insurance premiums. Employees have a choice of 3 health care plans:

Option 1: The City pays: \$862.45 family, employee pays \$100 for a total of \$962.45
\$381.05 single, employee pays \$38 for a total of \$419.05

Option 2: The City pays: \$892.25 family
\$388.45 single

Option 3: HSA: The City pays: \$818.25 family
\$359.10 single

The City also contributes to each employee: \$888.00 family
\$352.20 single

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

The City provides life insurance and accidental death and dismemberment insurance to all full-time employees through American United Life.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 13: OTHER EMPLOYEE BENEFITS (Continued)

B. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn two to six weeks of vacation per year, depending upon length of service. Vacation accumulation is limited to one year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 4.6 hours for every 80 hours worked for city employees and police officers, and at a rate of 6.44 hours for every 112 hours of service for firefighters. Sick leave accumulation is limited based on years of service and is paid upon retirement. As of December 31, 2010, the total liability for unpaid compensated absences was \$1,313,356.

NOTE 14: CAPITALIZED LEASES - LESSEE DISCLOSURE

During 2009 the City entered into capitalized leases for the acquisition of a street sweeper and a sewer jetter. The leases meet the criteria of a capital leases as they transfer benefits and risks of ownership to the lessee.

The assets acquired by the leases were capitalized in the governmental activities in the amount of \$187,469 for the street sweeper and \$225,483 in the business-type funds for the sewer jetter. These amounts are equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010:

	Governmental Activities	Business-Type Activities
2011	\$ 40,985	\$ 59,212
2012	40,985	0
	81,970	59,212
Less amount representing interest	5,395	1,936
Present value of minimum lease payments	\$ 76,575	\$ 57,276

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
City Improvement Bonds - 2001	2.3-5.1	\$ 3,745,000	December 1, 2021
Business-Type Activities			
Ohio Public Works Commission - 1991	0.00	\$ 200,000	January 1, 2012
Ohio Public Works Commission - 2003	0.00	350,000	July 1, 2023
Ohio Public Works Commission - 2004	0.00	100,000	July 1, 2024
Ohio Public Works Commission - 2008	0.00	60,591	January 1, 2024
Ohio Public Works Commission - 2010	0.00	25,000	November 18, 2029
Ohio Water Development Water Authority - 2001	0.20	8,263,204	July 1, 2023
Ohio Water Development Water Authority - 2002	0.00	1,645,800	July 1, 2023
Ohio Water Development Water Authority - 2003	3.53	875,008	July 1, 2023
Ohio Water Development Water Authority - 2005	4.25	211,630	July 1, 2030

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City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

Changes in the long-term obligations of the City during 2010 were as follows:

	Amount Outstanding 1/1/2010	Additions	(Reductions)	Amount Outstanding 12/31/2010	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
City Improvement Bonds	\$ 1,875,000	\$ 0	\$ (120,000)	\$ 1,755,000	\$ 130,000
Capital Leases	112,325	0	(35,750)	76,575	37,416
Compensated Absences	1,088,222	59,821	(38,675)	1,109,368	276,448
<i>Total Governmental Activities</i>	<u>\$ 3,075,547</u>	<u>\$ 59,821</u>	<u>\$ (194,425)</u>	<u>\$ 2,940,943</u>	<u>\$ 443,864</u>
Business-Type Activities					
OPWC Loans					
Ohio Public Works Commission - Sewer Repair	\$ 25,000	\$ 0	\$ (10,000)	\$ 15,000	\$ 10,000
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	253,750	0	(17,500)	236,250	17,500
Ohio Public Works Commission Loan - Clearwell	80,000	0	(5,000)	75,000	5,000
Ohio Public Works Commission -Bluebell Pump					
Pump Station	58,571	0	(4,040)	54,531	4,040
Ohio Public Works Commission Loan - Salt Bin	0	1,792	0	1,792	0
<i>Total OPWC Loans</i>	<u>417,321</u>	<u>1,792</u>	<u>(36,540)</u>	<u>382,573</u>	<u>36,540</u>
OWDA Loans					
Ohio Water Development Authority Loan -					
Sewer Plant Expansion and Upgrade	5,793,897	0	(410,252)	5,383,645	411,073
Ohio Water Development Authority Loan -					
Bass Lake Project	1,152,060	0	(82,290)	1,069,770	82,290
Ohio Water Development Authority Loan -					
Waste Water Treatment Plant Improvements	668,848	0	(37,930)	630,918	39,281
Ohio Water Development Authority					
Loan - Sewer Loan	190,804	0	(5,777)	185,027	6,025
<i>Total OWDA Loans</i>	<u>7,805,609</u>	<u>0</u>	<u>(536,249)</u>	<u>7,269,360</u>	<u>538,669</u>
Capital Leases	112,679	0	(55,403)	57,276	57,276
Compensated Absences	226,326	12,271	(34,609)	203,988	35,874
<i>Total Business-Type Activities</i>	<u>\$ 8,561,935</u>	<u>\$ 14,063</u>	<u>\$ (662,801)</u>	<u>\$ 7,913,197</u>	<u>\$ 668,359</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$7,651,933 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 11 percent. The total principal and interest remaining to be paid on the loans is \$8,008,525. Principal and interest paid for the current year and total net revenues were \$674,918 and \$2,551,725, respectively.

In 1991, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$200,000. The proceeds of this loan are being used for sewer repairs and improvements. The loan matures on January 1, 2012. As of December 31, 2010, the City had drawn down the entire amount of the loan.

In 2001, the City entered into an agreement with the Ohio Water Development Authority (OWDA) for a large sewer plant expansion and upgrade project. The total amount authorized for this loan was \$8,263,204, and as of December 31, 2010, the City had drawn \$8,229,699. The City began repaying the loan in 2004.

In 2003, The City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$875,008. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2010, the City had drawn down \$870,008.

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

In 2003, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$350,000. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2010, the City had drawn down the entire amount of the loan.

In 2004, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$100,000. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2010, the City had drawn down the entire amount of the loan.

In 2005, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$211,630. The proceeds of this loan are being used for rehabilitation and replacement of deteriorated sanitary sewers. As of December 31, 2010, the City had drawn down the entire amount of the loan.

In 2008, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$60,591. The proceeds of this loan are being used for improvements to the Bluebell Drive Pump Station. As of December 31, 2010, the City had drawn down the entire amount of the loan.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

In 2010, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$25,000. The proceeds of this loan are being used to repair the collapsed salt bin at the water department. As of December 31, 2010, the City had drawn down \$1,792.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both voted and unvoted general property taxes levied on all taxable property located within the City. Tax monies will be received in and the debt will be retired from the debt service funds.

Compensated absences will be paid from general operating revenues of the fund from which the employees' salaries are paid. Capital leases are paid from revenues of the general and sewer funds.

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

	General Obligation Bonds	
	Principal	Interest
2011	\$ 130,000	\$ 84,788
2012	130,000	79,067
2013	135,000	73,283
2014	145,000	67,005
2015	155,000	60,118
2016-2020	865,000	182,347
2021	195,000	9,750
	<u>\$ 1,755,000</u>	<u>\$ 556,358</u>

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

	Ohio Public Works Commission Loan		Ohio Water Development Authority Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 36,540	\$ 0	\$ 538,669	\$ 40,497	\$ 575,209	\$ 40,497
2012	31,540	0	541,150	38,017	572,690	38,017
2013	26,540	0	543,693	35,474	570,233	35,474
2014	26,540	0	546,301	32,866	572,841	32,866
2015	26,540	0	548,976	30,191	575,516	30,191
2016-2020	132,700	0	2,787,526	108,308	2,920,226	108,308
2021-2025	100,381	0	1,701,351	34,411	1,801,732	34,411
2026-2030	1,792	0	61,694	7,437	63,486	7,437
	<u>\$ 382,573</u>	<u>\$ 0</u>	<u>\$ 7,269,360</u>	<u>\$ 327,201</u>	<u>\$ 7,651,933</u>	<u>\$ 327,201</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 16: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2010, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General</u>	<u>Cemetery Endowment</u>	<u>Park Levy Bond Fund</u>	
Cemetery	\$ 76,000	\$ 1,767	\$ 0	\$ 77,767
Sidewalk Improvement	3,355	0	0	3,355
CDBG	45,000	0	0	45,000
Park Improvement Levy	0	0	40,856	40,856
<i>Total</i>	<u>\$ 124,355</u>	<u>\$ 1,767</u>	<u>\$ 40,856</u>	<u>\$ 166,978</u>

The transfers from the general fund to cemetery, sidewalk improvement and CDBG funds were made to provide additional resources for current operations. The transfer from the cemetery endowment fund to the cemetery fund was made to provide additional resources for current operations. The park levy bond fund transferred \$40,856 to the park improvement levy fund to provide additional resources for current operations and to remove the remaining cash balance in that fund. The debt in the park levy bond fund is entirely paid off.

NOTE 17: CONTRACTUAL COMMITMENTS

As of December 31, 2010, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2010</u>
Martin Dreher, Inc. - WWTP Hoop Barn	\$ 69,549	\$ 0	\$ 69,549
Civil Design Associates - Reiser Avenue sanitary sewer	91,000	31,250	59,750
Tuscon, Inc. - Third Street NE project	203,027	153,933	49,094
Lanzer Excavating - Bank Lane repair	44,335	0	44,335
Diversified Engineering - Third Street NE project	34,020	27,363	6,657
Miller Cable Co. - traffic signal project	1,052,550	0	1,052,550
KE McCartney & Assoc. - traffic signal engineering	130,005	1,528	128,477
Superior Paving - airport ramp rehabilitation	119,542	5,341	114,201
Superior Paving - airport ramp rehabilitation phase II	225,447	0	225,447
Totals	<u>\$ 1,969,475</u>	<u>\$ 219,415</u>	<u>\$ 1,750,060</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 18: JOINTLY GOVERNED ORGANIZATIONS

A Community Improvement Corporation of Tuscarawas County

The City is associated with the Community Improvement Corporation (“Corporation”) of Tuscarawas County as a Jointly Governed Organization. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenuhthen. It is controlled by 30 trustees consisting of the three County Commissioners, the mayor of each participating city or village and eighteen self-elected trustees. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the board. In 2010, the City paid \$100.

B. Tuscarawas County Drug Enforcement Task Force

The City entered into a mutual aid agreement with the Tuscarawas County Drug Enforcement Task Force, which is coordinated by the Tuscarawas County Sheriff’s Office. In 2010 the City paid no monies due to the fact that one of its police officers is a full time member of the Task Force.

C. Ohio Mid-Eastern Governments Association (OMEGA)

The Ohio-Mid Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of New Philadelphia serves as the City’s representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2010, OMEGA received \$2,558 from the City of New Philadelphia for an annual fee. The continued existence of OMEGA is not dependent on the City’s continued participation and no equity interest exists. OMEGA has no outstanding debts.

D. Tax Incentive Revenue Council (TIRC)

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2010, no monies were paid by the City.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2010

NOTE 19: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2010.

B. Litigation

The City is a party to several legal proceedings. With the exception noted below, City management is of the opinion that ultimate disposition of these proceedings will not have a material effect, if any, on the financial condition of the City.

The City is the defendant in a case concerning a public records request. Since insurance coverage for civil forfeiture is disputed, in the opinion of City management, no reasonable estimate of loss, if any, can be made.

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**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
(Passed Through Ohio Department of Development)				
Community Development Block Grants	A-F-08-154-1	14.228	\$17,307	\$3,500
Community Development Block Grants	A-F-09-154-1	14.228	69,700	69,700
<i>Total Community Development Block Grants</i>			<u>87,007</u>	<u>73,200</u>
HOME Investment Partnership Program	A-C-08-154-1	14.239	19,788	22,420
HOME Investment Partnership Program	A-C-08-154-2	14.239	109,494	133,246
HOME Investment Partnership Program	A-C-10-2CU-1	14.239	9,237	3,200
HOME Investment Partnership Program	A-C-10-2CU-2	14.239	30,500	17,750
<i>Total HOME Investment Partnership Program</i>			<u>169,019</u>	<u>176,616</u>
Total U.S. Department of Housing and Urban Development			256,026	249,816
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct:				
Bulletproof Vest Partnership Program		16.607	0	1,568
<u>U.S. DEPARTMENT OF FEDERAL AVIATION ADMINISTRATION</u>				
Direct:				
Airport Improvement Program		20.106	<u>0</u>	<u>85,603</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Direct:				
Public Works and Economic Development Cluster		11.300	<u>258,022</u>	<u>258,022</u>
TOTAL			<u><u>\$514,048</u></u>	<u><u>\$595,009</u></u>

The notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this statement.

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

City of New Philadelphia
Tuscarawas County
150 East High Avenue
New Philadelphia, Ohio 44663

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 8, 2011, wherein, we noted the City's General Fund and High Tech Park Fund balances were restated due to the General Fund paying expenditures in 2009 for the High Tech Park fund and in 2010 the City was reimbursed for these expenditures through a grant. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City'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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 8, 2011.

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

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

September 8, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of New Philadelphia
Tuscarawas County
150 East High Avenue
New Philadelphia, Ohio 44663

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of New Philadelphia, Tuscarawas County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

September 8, 2011

CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Public Works and Economic Development Cluster, CFDA # 11.300
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

1. General Checking/Investment and Payroll Monthly Bank Reconciliations

<i>Finding Number</i>	2010-001
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MATERIAL WEAKNESS

The City's 2010 general checking/investment bank accounts were not always reconciled to the City's book balances on a monthly basis by the City Treasurer. These reconciliations were only prepared by the City Treasurer through June 2010. No general checking/investment bank

account reconciliations were presented for audit by the City Treasurer for the period July through December 2010. The January through June 2010 general checking/investment reconciliations were subsequently determined to be incomplete and inaccurate with un-reconciled differences that varied monthly. The City subsequently hired a CPA firm to re-construct or prepare the 2010 general checking/investment bank account reconciliations as well as the first two months of 2011. The re-construction discovered an un-reconciled difference as of February 28, 2011, totaling \$7,043.25. An adjustment to decrease the City's cash fund balances in order to reconcile to the bank was approved by City Council on May 23, 2011 (Resolution No.21-2011).

In addition, the City Treasurer did not initially prepare the monthly 2010 payroll bank account reconciliations. On August 12, 2011, the City Treasurer provided the monthly 2010 payroll bank account reconciliations. Upon review of certain monthly 2010 payroll bank reconciliations, it was determined that un-reconciled differences varied on a monthly basis, monthly outstanding checklists were not accurate (i.e., outstanding checks were recognized which had been cashed) and the Huntington Bank Smart Tax reconciling items for the automatic withdrawal of federal and state tax payments were not properly recognized. For example, the federal and state tax payments for pay period ending December 31, 2010 were withdrawn on January 5, 2011. Since the City's payroll bank account is a "clearing" account and should reconcile to zero, the federal and state tax amounts deposited prior to December 31, 2010 and not withdrawn until January 5, 2011 should have been recognized as a reconciling item; however, the City Treasurer improperly recognized the federal and state tax payments deposited for pay period ending December 17, 2010 and withdrawn from the Huntington Payroll Bank Account on December 22, 2010 as a reconciling item. Consequently, evidence does not exist to support the payroll bank account balance is correct.

As a result, the risk that funds could be misappropriated or errors and omissions could go undetected is increased.

The City Treasurer should perform an all inclusive general checking/investment bank account and payroll bank account reconciliation monthly. The reconciliations should clearly identify the bank balances and each reconciling item that reduces or increases the bank balances to the City's balance presented on the Fund Cash Position Report. Support should be maintained for all reconciling items noted in the monthly reconciliation. All errors affecting the City's accounting system identified during the reconciliation process should be timely presented to the City Auditor so the accounting system may be appropriately updated. This will help strengthen the City's internal controls over the reconciliation process and ensure errors or omissions are detected timely reducing the risk funds could be misappropriated.

Official's Response:

We understand the risks and confusion that can be caused by untimely reconciliation of the Treasurer's records and in the confirmation of the Auditor's records to the Treasurer's. We also understand the importance of the Treasurer reconciling on a monthly basis his records including the city's payroll account, so that any discrepancies can be dealt with as soon as possible after month-end and not carried over into following months.

As pointed out in your comments, the Treasurer has had difficulty in performing the reconcilements in both an accurate and timely basis, even to the point that an outside accounting firm had to be hired to attempt to resolve the issues. The accounting firm made progress for the 2010 general checking records but was not asked to work on 2010 payroll records. In addition, to date, no records for 2011 have been submitted to council or the administration.

It is our opinion, that the current Treasurer must work diligently to get all his records reconciled to date as soon as possible. If the Treasurer feels that he is unable to do this then he may conclude that he should relinquish this position for the benefit of the city. This out-of-balance situation and delayed reconcilements should not continue.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Reconciliation – the City's monthly reconciliations had un-reconciled differences each month.	No	Not corrected, see Schedule of Findings.
2009-002	Ohio Rev. Code Section 5705.41 (D), 25% of the expenditures were not properly certified.	Yes	Corrected.



Dave Yost • Auditor of State

CITY OF NEW PHILADELPHIA

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 27, 2011