



**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**Dave Yost • Auditor of State**



**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	18
Statement of Net Assets – Proprietary Fund.....	19
Statement of Revenues, Expenses and Changes in Net Assets Proprietary Fund.....	20
Statement of Cash Flows – Proprietary Fund .....	21
Statement of Fiduciary Net Assets – Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund.....	23
Notes to the Basic Financial Statements .....	24
Federal Awards Receipts and Expenditures Schedule.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule .....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Programs and Internal Control Over Compliance Required by OMB Circular A-133 .....	55
Schedule of Findings.....	57
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	59

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the General Fund, the aggregate discretely presented component unit and remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District'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 General Fund, the aggregate discretely presented component unit and remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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

January 3, 2012

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The discussion and analysis of New Philadelphia City School District's (The District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance. The financial statements of the component unit are issued as a separate report and are available by contacting the Quaker Digital Academy.

### **Financial Highlights**

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets increased \$0.2 million. This increase was mainly in capital assets of governmental activities which represents a 1.3% increase from 2010.
- ❑ General revenues accounted for \$24.1 million or 84.8% of all revenues. Specific program revenues in the form of charges for services, sales, grants and contributions accounted for \$4.3 million or 15.2% of total revenues of \$28.4 million.
- ❑ The District had \$28.2 million in expenses related to governmental activities; only \$4.3 million of these expenses were offset by program specific charges for services, grants, or contributions. General revenue (primarily taxes and foundation receipts) of \$24.1 million were sufficient to provide for these programs which led to the increase in net assets.
- ❑ The only major fund, the General Fund had \$22.9 million in revenues and \$22.8 million in expenditures. The General Fund's balance increased by \$0.1 million.

### **Using this Annual Financial Report**

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

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

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

*Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets and the Statement of Activities answer the question “How did we do financially during 2011?” 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 District’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District activities are listed as Governmental:

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

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

*Fund Financial Statements*

The analysis of the District’s major fund begins on page 14. Fund financial reports provide detailed information about the District’s major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds. The District’s major governmental fund is the General Fund.

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

***Proprietary Funds*** Proprietary funds use full accrual accounting.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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**The School District as a Whole**

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

Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

Table 1  
 Net Assets  
 (In Millions)

	2011	2010
<b>Assets</b>		
Current and Other Assets	\$25.0	\$24.6
Capital Assets	<u>12.7</u>	<u>13.3</u>
Total Assets	<u><b>37.7</b></u>	<u><b>37.9</b></u>
<b>Liabilities</b>		
Long Term Liabilities	(6.6)	(6.8)
Other Liabilities	<u>(14.9)</u>	<u>(15.1)</u>
Total Liabilities	<u><b>(21.5)</b></u>	<u><b>(21.9)</b></u>
<b>Net Assets</b>		
Invested in Capital net of Debt	8.0	7.5
Restricted	1.7	1.6
Unrestricted	<u>6.5</u>	<u>6.9</u>
<b>Total Net Assets</b>	<u><b>\$16.2</b></u>	<u><b>\$16.0</b></u>

Total assets decreased by \$0.2 million. Cash and Cash Equivalents increased by \$0.2 million while Capital Assets decreased by \$0.6 million. . This was offset on the liability side where Long Term Liabilities decreased by \$0.2 million and Other Liabilities decreased by \$0.2 million. The net assets of the District increased by \$0.2 million which was due primarily to the decrease in Total Liabilities..

The decrease in current assets shows a decrease in the present financial stability of the District. The increase in unrestricted net assets for the current year is due in Capital Assets and the decrease in Other Liabilities of \$0.2 million due from lower accrued wages and benefits.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2011 as compared to fiscal year 2010.

Table 2  
Changes in Net Assets  
(In Millions)

	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$1.4	\$1.3
Operating Grants	2.9	2.8
General Revenue:		
Property Taxes	12.0	11.4
Grants and Entitlements	11.4	11.1
Other	<u>0.7</u>	<u>0.6</u>
Total Revenue	<u>28.4</u>	<u>27.2</u>
<b>Program Expenses</b>		
Instruction	16.5	15.2
Support Services		
Pupil and Instructional Staff	2.7	2.4
Board of Education, Fiscal and Administration	3.1	3.0
Operation and Maintenance	2.5	2.7
Pupil Transportation	0.9	0.9
Food Service	0.8	0.8
Non-Instructional Services	0.5	0.4
Extracurricular Activities	1.0	1.0
Interest and Fiscal Charges	<u>0.2</u>	<u>0.3</u>
Total Expenses	<u>28.2</u>	<u>26.7</u>
<b>Increase (Decrease) in Net Assets</b>	<u>0.2</u>	<u>0.5</u>
<b>Net Assets at Beginning of Year</b>	<u>16.0</u>	<u>15.5</u>
<b>Net Assets at End of Year</b>	<u><u>\$16.2</u></u>	<u><u>\$16.0</u></u>

***Governmental Activities***

Several revenue sources fund our governmental activities with property taxes being the largest contributor. The last increase in property tax levies by the citizens of the District was in 2007. Property tax levies generated \$12.0 million in 2011. General revenues from grants and entitlements, such as the

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental funding approximately 83% of all expenses in governmental activities, the District monitors both of these revenue sources very closely for fluctuations.

Instruction comprises 58.5% of governmental program expenses. Interest expense was 0.7% and was attributable to outstanding bonds and capital leases on copier and heating and lighting equipment. The increase of \$1.5 million in total expenses is mainly due to increases in operational costs.

Table 3  
 Governmental Activities  
 (In Millions)

	Total Cost of Services 2011	Total Cost of Services 2010
<b>Program Expenses</b>		
Instruction	\$16.5	\$15.2
Support Services		
Pupil and Instructional Staff	2.7	2.4
Board of Education, Fiscal and Administration	3.1	3.0
Operation and Maintenance	2.5	2.7
Pupil Transportation	0.9	0.9
Food Service	0.8	0.8
Non-Instructional Services	0.5	0.4
Extracurricular Activities	1.0	1.0
Interest and Fiscal Charges	0.2	0.3
Total Expenses	<u>\$28.2</u>	<u>\$26.7</u>

**The School District's Funds**

Information about the District's major fund starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27.9 million and expenditures of \$27.7 million. The net change in fund balance for the year was an increase of \$0.2 million. The general fund accounted for \$0.1 million of the increase while other governmental funds increased \$0.1 million. This overall increase indicates the District's current revenue base meets District obligations as a whole. The District understands that it needs to continue to monitor expenditures to ensure it can meet future needs.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2011, the District amended its general fund budget once at the end of the fiscal year. Requests for budget changes are made by the building administrators. Final approval is obtained from the Treasurer and Superintendent and is presented to the Board of Education for their adoption.

For the General Fund, budget basis revenue was slightly higher than the original budget estimates of \$21.8 million.

The original appropriations of \$22.3 million were only slightly increased to \$22.9 million. Expenditures, however, were only \$21.7 million or \$1.2 million less than anticipated due to surplus appropriations in regular instruction, instructional staff, pupil services, administrative, maintenance and extracurricular costs.

The District's ending unobligated budgetary fund balance was \$1.3 million above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2011, the District had \$12.7 million invested in land, buildings, equipment, vehicles and construction in progress. Table 4 shows fiscal year 2011 balances compared to 2010:

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

	2011	2010
Land	\$0.9	\$0.9
Buildings and Improvements	9.8	10.1
Furniture and Equipment	1.3	1.5
Vehicles	0.7	0.6
Construction in progress	0	0.2
Totals	\$12.7	\$13.3

Refer to Note # 7 for further information.

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

For fiscal year 2011, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2011, this amounted to \$417,610 for each set aside. For fiscal year 2011, the District had qualifying disbursements or offsets exceeding the requirements. For fiscal year 2012, the textbook set aside has been eliminated. Refer to Note 16 for the set aside calculations.

***Debt***

At June 30, 2011, the District had \$3.4 million in bonds, \$.6 million due within one year. Table 5 summarizes bonds outstanding.

Table 5  
 Outstanding Debt at Year End  
 (In Millions)

	Governmental Activities 2011	Governmental Activities 2010
General Obligation Bonds:		
2004 School Improvement	\$3.4	\$3.9
<b>Total</b>	<b>\$3.4</b>	<b>\$3.9</b>

Refer to Note # 12 for further information.

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

At June 30, 2011, the District's overall legal debt margin was \$34,579,889 with an unvoted debt margin of \$413,098. The District maintains an A-1 bond rating.

**For the Future**

New Philadelphia City School District is still strong financially even with the downturn in the economy. As the preceding information shows, the School District heavily depends on its property taxpayers. The taxpayers approved a 7.1 mill levy in November 2007.

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

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

**New Philadelphia City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

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

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

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

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

**New Philadelphia City School District**

*Statement of Net Assets*

June 30, 2011

	Primary Government	Component Unit
	Governmental Activities	Quaker Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$11,820,198	\$1,825,350
Receivables:		
Taxes	12,553,900	0
Accounts	4,214	0
Intergovernmental	512,543	25,186
Accrued Interest	1,688	1,065
Prepaid Items	41,774	0
Due From Other Funds	500	0
Materials and Supplies		
Inventory	32,247	0
Capital Assets		
Land and Construction in Progress	864,677	0
Other Depreciable Capital Assets Net	11,862,374	24,500
<i>Total Assets</i>	<u>37,694,115</u>	<u>1,876,101</u>
<b>Liabilities</b>		
Accounts Payable	357,144	125,473
Accrued Wages	2,897,222	46,691
Intergovernmental Payable	669,397	35,993
Deferred Revenue	10,978,177	0
Accrued Interest Payable	9,899	0
Long-Term Liabilities:		
Due Within One Year	664,782	0
Due In More Than One Year	5,908,111	0
<i>Total Liabilities</i>	<u>21,484,732</u>	<u>208,157</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	7,993,478	24,500
Restricted for:		
Capital Projects	408,148	0
Debt Service	813,098	0
Other Purposes	534,359	34,886
Unrestricted	6,460,300	1,608,558
<i>Total Net Assets</i>	<u><u>\$16,209,383</u></u>	<u><u>\$1,667,944</u></u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction:				
Regular	\$12,778,049	\$162,684	\$972,669	\$15,925
Special	3,027,775	0	240,492	0
Vocational	132,870	0	0	0
Other	553,349	0	0	0
Support Services:				
Pupil	1,446,755	0	100,681	0
Instructional Staff	1,224,375	0	625,181	0
Board of Education	32,636	0	0	0
Administration	2,269,308	0	141,064	0
Fiscal	835,247	0	42,507	0
Operation and Maintenance of Plant	2,490,608	0	0	0
Pupil Transportation	896,277	0	0	0
Food Service	824,701	326,279	561,624	0
Operation of Non-Instructional Services	462,387	255,084	209,261	0
Extracurricular Activities	1,034,992	653,063	0	0
Interest and Fiscal Charges	217,955	0	0	0
<i>Total Governmental Activities</i>	<u>28,227,284</u>	<u>1,397,110</u>	<u>2,893,479</u>	<u>15,925</u>
Component Unit				
Quaker Digital Academy	<u>\$2,821,246</u>	<u>\$5,582</u>	<u>\$485,869</u>	<u>\$0</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	Quaker Digital Academy
(\$11,626,771)	\$0
(2,787,283)	0
(132,870)	0
(553,349)	0
(1,346,074)	0
(599,194)	0
(32,636)	0
(2,128,244)	0
(792,740)	0
(2,490,608)	0
(896,277)	0
63,202	0
1,958	0
(381,929)	0
(217,955)	0
<u>(23,920,770)</u>	<u>0</u>
<u>0</u>	<u>(2,329,795)</u>
\$11,340,464	0
559,155	0
158,473	0
11,354,375	2,562,981
45,873	4,415
665,523	25,359
<u>24,123,863</u>	<u>2,592,755</u>
203,093	262,960
<u>16,006,290</u>	<u>1,404,984</u>
<u>\$16,209,383</u>	<u>\$1,667,944</u>

**New Philadelphia City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$9,112,253	\$1,973,195	\$11,085,448
Receivables:			
Taxes	11,793,142	760,758	12,553,900
Accounts	4,114	100	4,214
Intergovernmental	0	512,543	512,543
Accrued Interest	1,688	0	1,688
Due from Other Funds	61,500	0	61,500
Prepaid Items	41,774	0	41,774
Materials and Supplies Inventory	19,279	12,968	32,247
<i>Total Assets</i>	<u>\$21,033,750</u>	<u>\$3,259,564</u>	<u>\$24,293,314</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$93,751	\$263,393	\$357,144
Accrued Wages	2,493,591	256,715	2,750,306
Intergovernmental Payable	562,734	106,663	669,397
Due to Other Funds	3,500	57,500	61,000
Deferred Revenue	10,806,430	708,811	11,515,241
<i>Total Liabilities</i>	<u>13,960,006</u>	<u>1,393,082</u>	<u>15,353,088</u>
<b>Fund Balances</b>			
Nonspendable:			
Prepays	41,774	0	41,774
Materials and Supplies Inventory	19,279	0	19,279
Restricted:			
Other Purposes	0	687,997	687,997
Debt Service	0	811,557	811,557
Capital Projects	0	366,928	366,928
Assigned:			
Student Instruction	221,976	0	221,976
Unassigned	6,790,715	0	6,790,715
<i>Total Fund Balances</i>	<u>7,073,744</u>	<u>1,866,482</u>	<u>8,940,226</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$21,033,750</u>	<u>\$3,259,564</u>	<u>\$24,293,314</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011*

<b>Total Governmental Fund Balances</b>	\$8,940,226
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,727,051
Delinquent property taxes are not available to pay for current period expenditures and are therefore deferred in the funds.	537,064
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	734,751
Accreted Interest on Capital Appreciation bonds	(367,495)
Accrued interest on bonds payable	(9,899)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(6,352,315)
<i>Net Assets of Governmental Activities</i>	<b>\$16,209,383</b>

**New Philadelphia City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$10,835,851	\$685,177	\$11,521,028
Intergovernmental	11,190,814	3,072,965	14,263,779
Interest	45,867	6	45,873
Tuition and Fees	85,831	331,937	417,768
Extracurricular Activities	154,129	498,934	653,063
Charges for Services	0	326,279	326,279
Contributions and Donations	0	81,666	81,666
Miscellaneous	558,237	25,620	583,857
<i>Total Revenues</i>	<u>22,870,729</u>	<u>5,022,584</u>	<u>27,893,313</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,981,839	1,011,092	11,992,931
Special	2,536,563	393,143	2,929,706
Vocational	123,867	0	123,867
Other	553,175	0	553,175
Support Services:			
Pupil	1,260,747	163,734	1,424,481
Instructional Staff	675,687	505,292	1,180,979
Board of Education	34,607	0	34,607
Administration	2,000,376	173,534	2,173,910
Fiscal	815,366	4,136	819,502
Operation and Maintenance of Plant	2,149,228	0	2,149,228
Pupil Transportation	838,025	0	838,025
Operation of Non-Instructional Services	2,872	443,238	446,110
Food Service	0	786,501	786,501
Extracurricular Activities	495,899	509,588	1,005,487
Capital Outlay	0	441,424	441,424
Debt Service:			
Principal Retirement	100,633	500,000	600,633
Interest and Fiscal Charges	48,043	128,166	176,209
<i>Total Expenditures</i>	<u>22,616,927</u>	<u>5,059,848</u>	<u>27,676,775</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>253,802</u>	<u>(37,264)</u>	<u>216,538</u>
<b>Other Financing Sources (Uses)</b>			
Transfer In	0	185,000	185,000
Transfer Out	(185,000)	0	(185,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(185,000)</u>	<u>185,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	68,802	147,736	216,538
<i>Fund Balances Beginning of Year , Restated</i>	<u>7,004,942</u>	<u>1,718,746</u>	<u>8,723,688</u>
<i>Fund Balances End of Year</i>	<u>\$7,073,744</u>	<u>\$1,866,482</u>	<u>\$8,940,226</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

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**Net Change in Fund Balances - Total Governmental Funds** \$216,538

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

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount by which depreciation  
exceeded capital outlay in the current period. (219,480)

Governmental funds only report the disposal of assets to the  
extent proceeds are received from the sale. In the statement  
of activities, a gain or loss is reported for each disposal. This  
is the amount of the loss on the disposal of fixed assets. There  
were no proceeds. (320,065)

Delinquent property tax revenue in the Statement of  
Activities that do not provide current financial resources  
are not reported as revenues in the funds. 537,064

Repayment of bond and capital lease principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net assets. 600,633

In the statement of activities, interest is accrued on  
outstanding bonds, whereas in governmental funds, an  
interest expenditure is reported when due. 9,899

In the statement of activities, interest on  
Capital Appreciation bonds is recorded as an expense,  
but do not require the use of current financial resources (43,312)

Some expenses reported in the statement of activities,  
such as compensated absences and intergovernmental  
payables which represent contractually required pension  
contributions, do not require the use of current financial  
resources and therefore are not reported as expenditures  
in governmental funds. (355,190)

The internal service fund used by management to charge  
the cost of insurance to individual funds is not reported in  
expenditures and the related internal service fund revenues  
are eliminated. The net revenue (expense) of the internal  
service fund is allocated among the governmental activities. (222,994)

*Change in Net Assets of Governmental Activities* 203,093

**New Philadelphia City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Taxes	\$10,786,000	\$10,786,000	\$10,886,743	\$100,743
Intergovernmental	10,370,000	10,370,000	10,400,014	30,014
Interest	75,000	75,000	46,929	(28,071)
Tuition and Fees	194,960	194,960	218,014	23,054
Rentals	3,700	3,700	6,342	2,642
Miscellaneous	360,840	360,840	469,183	108,343
<i>Total Revenues</i>	<u>21,790,500</u>	<u>21,790,500</u>	<u>22,027,225</u>	<u>236,725</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,725,005	10,755,005	10,246,381	508,624
Special	2,569,620	2,569,620	2,453,051	116,569
Vocational	129,794	129,794	122,392	7,402
Other	361,784	561,784	554,661	7,123
Support Services:				
Pupil	1,218,673	1,285,173	1,241,637	43,536
Instructional Staff	574,447	689,447	654,785	34,662
Board of Education	89,480	91,480	39,464	52,016
Administration	2,101,393	2,111,893	2,013,277	98,616
Fiscal	876,609	887,209	820,182	67,027
Operation and Maintenance of Plant	2,374,063	2,438,063	2,267,132	170,931
Pupil Transportation	856,817	905,817	846,959	58,858
Central	3,000	3,000	2,295	705
Extracurricular Activities	445,150	449,150	399,059	50,091
<i>Total Expenditures</i>	<u>22,325,835</u>	<u>22,877,435</u>	<u>21,661,275</u>	<u>1,216,160</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(535,335)</u>	<u>(1,086,935)</u>	<u>365,950</u>	<u>1,452,885</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	37,500	37,500
Advances Out	0	0	(61,500)	(61,500)
Transfers Out	(45,000)	(45,000)	(185,000)	(140,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(209,000)</u>	<u>(164,000)</u>
<i>Net Change in Fund Balance</i>	(580,335)	(1,131,935)	156,950	1,288,885
<i>Fund Balance Beginning of Year, Restated</i>	8,804,355	8,804,355	8,804,355	0
Prior Year Encumbrances Appropriated	<u>293,870</u>	<u>293,870</u>	<u>293,870</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$8,517,890</u>	<u>\$7,966,290</u>	<u>\$9,255,175</u>	<u>\$1,288,885</u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

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	<u>Governmental Activities - Internal Service</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$734,751</u>
<i>Total Assets</i>	<u>734,751</u>
<b>Liabilities</b>	
<i>Total Liabilities</i>	<u>0</u>
<b>Net Assets</b>	
Unrestricted	<u>734,751</u>
<i>Total Net Assets</i>	<u><u>\$734,751</u></u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2011*

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	<u>Governmental Activities - Internal Service</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$3,046,497</u>
<i>Total Operating Revenues</i>	<u>3,046,497</u>
<b>Operating Expenses</b>	
Claims	<u>3,269,491</u>
<i>Total Operating Expenses</i>	<u>3,269,491</u>
<i>Operating Profit (Loss)</i>	<u>(222,994)</u>
<i>Net Assets Beginning of Year</i>	<u>957,745</u>
<i>Net Assets End of Year</i>	<u><u>\$734,751</u></u>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2011

	Governmental Activities - Internal Service
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Transactions With Other Funds	\$3,046,497
Cash Payments for Premiums	(3,269,491)
<i>Net Increase in Cash and Cash Equivalents</i>	<i>(222,994)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>957,745</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$734,751</i>
<b>Reconciliation of Operating Profit (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Profit (Loss)	(\$222,994)
Adjustments:	
Increase (Decrease) in Liabilities:	0
<i>Net Cash Provided by Operating Activities</i>	<i>(\$222,994)</i>

See accompanying notes to the basic financial statements

**New Philadelphia City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,106,738	\$37,226
<i>Total Assets</i>	1,106,738	37,226
<b>Liabilities</b>		
Due to Other Funds	0	500
Due to Students	0	36,726
<i>Total Liabilities</i>	0	\$37,226
<b>Net Assets</b>		
Held in Trust for Scholarships	1,106,738	
<i>Total Net Assets</i>	\$1,106,738	

See accompanying notes to the basic financial statements

***New Philadelphia City School District***  
***Statement of Changes in Fiduciary Net Assets***  
***Fiduciary Fund***  
***For the Fiscal Year Ended June 30, 2011***

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Interest	\$6,362
<b>Deductions</b>	
Other operating Expense	26,000
<i>Changes in Net Assets</i>	(19,638)
<i>Net Assets at Beginning of Year</i>	1,126,376
<i>Net Assets at End of Year</i>	\$1,106,738

See accompanying notes to the basic financial statements

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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

New Philadelphia City School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by State statute and/or federal guidelines. This Board controls the District's eight instructional/support facilities staffed by 153 non-certificated employees, 216 certificated full time teaching personnel and 16 administrative employees who provide services to 3,050 students and other community members.

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

The School District serves an area of approximately 78 square miles. It is located in Tuscarawas County, and includes all of the City of New Philadelphia, Ohio, the Village of Stone Creek and portions of 9 townships. The School District is the 141<sup>st</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. The School District currently operates seven instructional buildings, one warehouse building, a sports complex and one garage.

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

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

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

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has one component unit, The Quaker Digital Academy ("the Academy") (See Note 18). The School District appoints a voting majority of the Academy's governing board.

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

**Jointly Governed Organizations:**

Ohio Mid-Eastern Regional Education Service Association

Buckeye Joint Vocational School

Tuscarawas County Tax Incentive Review Council

**Public Entity Risk Pool:**

Ohio School Boards Workers' Compensation Group Rating Program

# New Philadelphia City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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

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

### ***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

### ***B. Fund Accounting***

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

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

## New Philadelphia City School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose and also accounts for the School District's capital projects and debt service.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as internal service.

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

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

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the Statement of 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 Net Assets. The Statement of 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 School District finances and meets the cash flow needs of its proprietary activities.

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the Government-Wide Financial Statements.

## New Philadelphia City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

***Deferred 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 June 30, 2011, 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 fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

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

***Estimated Resources*** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

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

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

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

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

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011. Repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$45,873 which includes \$14,328 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

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

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

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

#### ***I. Capital Assets***

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.

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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

***J. Interfund Balances***

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

***K. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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***L. Accrued Liabilities and Long-term Obligations***

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

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

***M. Fund Balance***

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

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

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the treasurer authority to constrain monies for intended uses.

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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

***N. Net 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 the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

***P. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. During fiscal year 2011, the District had no capital contributions.

***Q. Interfund Activity***

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

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

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

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2011.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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**S. Estimates**

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

**Note 3 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

Net Change in Fund Balance Major General Fund	
GAAP Basis	\$68,802
Net Adjustment For Revenue Accruals	(689,375)
Net Adjustment for Expenditure Accruals	800,371
Advances (Net)	(24,000)
Funds Budgeted Elsewhere **	1,152
Budget Basis	\$156,950

\*\* As part of governmental Accounting Standards Board Statement No 54, "Fund Balance Reporting," certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes public school; support funds.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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**Note 4 - Deposits and Investments**

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

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

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

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

Interim monies are 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
7. The State Treasurer's investment pool (STAR Ohio);

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; provided training requirements under the Ohio Revised Code have been met,

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

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,561,156 of the School District's bank balance of \$10,498,632 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the School District's name. The carrying amount of the School District's deposits at year end were \$10,339,553

At year end, \$5,098 of the Quaker Digital Academy's bank balance of \$263,570 was exposed to custodial risk.

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

**Investments** As of June 30, 2011, the School District had the following Investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$ 2,617,713</u>	Daily

Quaker Digital Academy had \$1,572,835 investment in repurchase agreements as of June 30, 2011. It had a daily maturity.

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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2010.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% Total</u>
Star Ohio	\$ 2,617,713	100.00

**Note 5- Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar year 2011 for real and public utility property taxes represents collections of calendar year 2010 taxes. Property tax payments received during calendar 2011 for tangible personal property (other than public utility property) is for calendar 2011 taxes.

2011 real property taxes are levied after April 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after April 1, 2010 and are collected in 2011 with real property taxes.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$416,288,310	96.89%	\$398,648,940	96.50%
Public Utility Personal	13,334,380	3.11	14,448,850	3.50
Tangible Personal Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$429,622,690</u>	<u>100.00%</u>	<u>\$413,097,790</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.00		\$49.20	

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

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

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District as an advance at June 30, 2011, was \$986,712 in the general fund, \$51,581 in the debt service fund and \$13,396 in the permanent improvement capital projects fund. By comparison, the amount available to the School District as an advance at June 30, 2010, was \$1,037,604 in the general fund, \$56,148 in the debt service fund and \$13,999 in the permanent improvement capital projects.

**Note 6 - Receivables**

Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**New Philadelphia City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities</b>	Amount
Title VI-B Preschool	\$2,077
Title IV	1,851
Public Preschool	20,393
CAFS	18,597
Juvenile Attention Center	128,909
Title VI-B	69,779
Title I	156,191
Title II-A	26,735
RTTT	46,157
TIF	41,854
	<hr/>
<i>Total Governmental Activities</i>	<u><u>\$512,543</u></u>

**Note 7 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Governmental Activities</b>				
Land	\$864,677	\$0	\$0	\$864,677
Buildings and Improvements	19,614,358	152,217	0	19,766,575
Furniture and Equipment	4,533,675	244,934	(435,735)	4,342,874
Vehicles	1,349,650	120,843	(52,328)	1,418,165
Construction in Progress	152,217	0	(152,217)	0
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at Historical Cost	\$26,514,577	\$517,994	(\$640,280)	\$26,392,291
	<hr/>	<hr/>	<hr/>	<hr/>
Less Accumulated Depreciation:				
Buildings and Improvements	(\$9,532,063)	(\$419,953)	\$0	(\$9,952,016)
Furniture and Equipment	(3,037,822)	(242,000)	265,660	(3,014,162)
Vehicles	(678,096)	(75,521)	54,555	(699,062)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated Depreciation	(13,247,981)	(737,474) *	320,215	(13,665,240)
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental Activities Capital				
Assets, Net	\$13,266,596	(\$219,480)	(\$320,065)	\$12,727,051
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

Instruction:	
Regular	\$457,743
Special	27,390
Vocational	7,401
Adult Education	174
Support Services:	
Pupil	765
Instructional Staff	18,937
Administration	19,568
Fiscal	3,941
Operation and Maintenance of Plant	17,624
Pupil Transportation	75,521
Operation of Non-Instructional Services	3,134
Food Service	21,321
Extracurricular Activities	83,955
	<hr/>
Total Depreciation Expense	<u>\$737,474</u>

**Note 8 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District contracted with Utica National Insurance for property and inland marine, liability insurance, and fleet coverage.

Building and Contents -	
replacement cost (\$5,000 deductible)	\$69,699,936
Inland Marine Coverage (\$250-\$500 deductible)	1,425,716
Boiler and Machinery (\$1,000 deductible)	No limit
Crime Insurance	25,000-100,000
Electronic data Processing (\$100 deductible)	1,893,702
Automobile Liability (\$1000 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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Total per year 3,000,000

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

***B. Workers' Compensation***

For fiscal year 2011, the School District participated in the Ohio Association of Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the GRP.

***C. Employee Medical Benefits***

The School District has elected to provide employees' major medical and hospitalization through a self-insured program. The School District maintains an internal service fund to account for its health insurance program.

The claims liability at June 30, 2011, was estimated by the third party administrator to be \$0. This is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Beginning July 1, 2009, the School District is a member of the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool (See Note 19), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the Program) is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

**Note 9 - Defined Benefit Pension Plans**

**A. School Employee Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011*

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information. That report may be obtained on the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts, by SERS' Retirement board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit fund, Medicare b Fund, and Health care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. the remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$,587,448, \$568,418 and \$310,714 respectively; 58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$ 1,742,376, \$1,784,112 and \$1,444,126 respectively; 83.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$1,742,376 made by the School District and \$1,244,554 made by the plan members.

### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

### **Note 10 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

#### **Medicare Part B Plan**

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants but could be as high as \$369.10 per month depending on their income. SERS reimbursement for retirees was \$45.50

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$31,890, \$28,088 and \$25,637 respectively; 58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009

#### **Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to fund the health care benefits to eligible retirees and beneficiaries SERS' Retirement Board reserves the right to change or discontinue and health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to postemployment benefit plans.

## **New Philadelphia City School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011*

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The Health Care Fund was established under, and is administrated in accordance with Internal Revenue Code §105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of 14% employer contribution rate is the total assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$60,003, \$17,000 and \$187,139 respectively; 58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$124,455, \$127,436 and \$110,110 respectively; 83.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

#### **Note 11 - Compensated Absences**

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

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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

**Note 12 - Long - Term Liabilities**

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

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Amounts Due in One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
2004 Current Interest Bonds	\$3,320,000	\$0	(\$500,000)	\$2,820,000	\$575,000
2004 Capital Appreciation Bonds	538,888	0	0	538,888	0
Accreted Interest	324,183	43,312	0	367,495	0
Capital Leases payable	1,108,026	0	(100,635)	1,007,391	89,782
Compensated Absences	1,496,074	343,045	0	1,839,119	0
Total Governmental Activities					
Long-Term Liabilities	<u>\$6,787,171</u>	<u>\$386,357</u>	<u>(\$600,635)</u>	<u>\$6,572,893</u>	<u>\$664,782</u>

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

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

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

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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

At June 30, 2011, the School District's overall legal debt margin was \$34,579,889 with an unvoted debt margin of \$413,098. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$575,000	\$107,291	\$682,291	\$0	\$0	\$0
2013	0	95,791	95,791	282,474	267,526	550,000
2014	0	95,791	95,791	256,414	283,586	540,000
2015	525,000	84,963	609,963	0	0	0
2016	550,000	62,447	612,447	0	0	0
2017	570,000	38,505	608,505	0	0	0
2018	600,000	13,125	613,125	0	0	0
	<u>\$ 2,820,000</u>	<u>\$ 497,913</u>	<u>\$ 3,317,913</u>	<u>\$ 538,888</u>	<u>\$ 551,112</u>	<u>\$ 1,090,000</u>
Total	\$ 2,820,000	\$ 497,913	\$ 3,317,913	\$ 538,888	\$ 551,112	\$ 1,090,000

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

In prior fiscal years, the School District entered into capitalized leases for copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

In the prior fiscal year the School District entered into a lease agreement in compliance with HB 264 which allowed the School District to lease certain building improvements to the heating and lighting systems in each of its building. Under the terms of the lease the School District was able to upgrade heating and lighting systems in all of its elementary and high school and middle school complex. The savings generated by the upgrades will be used to make the lease payments each year.

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

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

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Lease Payments
2012	\$ 133,356
2013	122,414
2014	122,414
2015	122,414
2016	122,414
2017-2021	612,070
	<hr/>
Total minimum lease payments	1,235,082
Less: amount representing interest	(227,691)
Present value of minimum lease payments	<hr/> <u>\$1,007,391</u>

**Note 14 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

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

**Note 15**

**A. Jointly Governed Organizations and Public Entity Risk Pool**

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Karen Blake, who serves as Treasurer, Steubenville, Ohio 43952. During fiscal year 2010 the school paid \$104,583 to OME-RESA for various services.

## **New Philadelphia City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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The Buckeye Joint Vocational School, which provides vocational education programs, is a distinct subdivision of the State of Ohio operated under a Board consisting of one representative from each of the 11 participating school districts' elected boards, which possessed its own budgeting and taxing authority. To obtain financial information, write to Buckeye Joint Vocational School, Carla Cooper, who serves as treasurer, 545 University Drive NE, New Philadelphia, Ohio, 44663.

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the county auditor's office and eight members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2011 no monies were paid to TCTIRC from the School District.

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

### ***B. Public Entity Risk Pool***

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

### **Note 16 - Set-Aside Calculations**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Legislation has passed that will eliminate the textbook set aside as of July 1, 2011

**New Philadelphia City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2010	(\$1,125,972)	\$ -
Current Year Set Aside Requirement	417,610	417,610
Contributions in Excess of the Current Fiscal Year Set Aside	0	0
Current Year Qualifying Disbursements	(665,492)	(285,236)
Excess Qualified Expenditures from Prior Years	0	0
Current Year Offsets	0	(364,079)
Waiver granted by the Department of Education		
Prior Year Offset from Bond Proceeds	0	0
Totals	(1,373,854)	(231,705)
Balance Carried Forward to Fiscal Year 2011	-	-
Set Aside Reserve Balance as of June 30, 2011	\$ -	\$ -

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from law. Therefore this negative balance is not being presented as being carried forward to the subsequent year. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 17 – Legal Compliance**

**A. Deficit Fund Balances**

The Title IV-B , RTTT and Title II-A had deficit balances as of June 30, 2011 of \$27,660, \$49 and \$1,391. These deficits arose due to the recognition of accrued liabilities and will be made up in the next fiscal year once state and federal grants are allocated.

**Note 18 – Quaker Digital Academy**

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

**Note 19 - Portage Area School Consortium**

The Portage Area School Consortium (the Consortium) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone Pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5th, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements. The Ohio Revised Code Section 167.04 requires the Consortium to adopt bylaws designating the officers of the Consortium and their method of selection, creating a governing body to act for the Consortium, appointing a fiscal officer, and providing for the conduct of the Consortium’s business. The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representation of the member schools. The member school’s governing body appoints one representative to the Consortium (usually the superintendent or designee). In the case of a member that is a school district, that representative shall be an executive appointed by the board of education. The Assembly serves without compensation.

**Note 20 – Accountability and Compliance**

**A. Change in Accounting Principles**

For the fiscal year ended 2011, the district has implemented GASB Statement No.54, “Fund Balance Reporting and Governmental Fund Type Definitions, and GASB Statement No. 59 “Financial Instruments Omnibus”.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies definition of governmental fund types.

GASB Statement No 59 updates and improves guidance for financial reporting disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement no 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the District’s governmental fund balances as previously reported.

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 6,977,647	\$ 1,746,041	\$ 8,723,688
Fund reclassifications			
Public School Support	27,295	(27,295)	-
Total Fund Reclassifications	27,295	(27,295)	-
Restated fund balance at July 1, 2010	\$ 7,004,942	\$ 1,718,746	\$ 8,723,688

The fund reclassification did not have an effect on net assets as previously reported.

**New Philadelphia City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

**C. Budgetary Prior Adjustment**

In prior years certain funds that legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only legally budgeted general fund in the budgetary statement: therefore a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance as of June 30, 2010 is as follows:

Budgetary Basis	<u>General Fund</u>
Balance June 30, 2010	\$8,857,738
Funds Budgeted elsewhere	<u>53,383</u>
Restated balance at July 1, 2010	<u><u>\$8,804,355</u></u>

**Note 21 – Other Commitments**

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

Fund Type	Year-End Encumbrances
General fund	\$ 23,155
Nonmajor governmental funds	214,765
<b>Total</b>	<b>\$ 237,920</b>

**Note 22 - Operating Leases - Lessee Disclosure**

The District entered into an operating lease agreement for a postage meter which expires during 2016. Equipment operating lease expense totaled \$861 in 2011. The agreement is non-cancelable and provides for minimum annual leases as follows:

Fiscal Year Ending June 30,	Lease Payments
2012	\$ 3,444
2013	3,444
2014	3,444
2015	3,444
2016	2,583
<b>Total</b>	<b>\$ 16,359</b>

NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed Through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	C1-S1-10	84.010	\$56,683		\$71,897	
Title I Grants to Local Educational Agencies	C1-S1-11	84.010	430,915		421,855	
ARRA- Title I Grants to Local Educational Agencies	C1-S1-09	84.389	846		596	
ARRA- Title I Grants to Local Educational Agencies	C1-S1-10	84.389	0		9,746	
ARRA- Title I Grants to Local Educational Agencies	C1-S1-11	84.389	57,348		47,549	
<i>Total Title I Grants to Local Educational Agencies</i>			545,792		551,643	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	6B-SF-2010	84.027	51,314		38,377	
Special Education - Grants to States (IDEA Part B)	6B-SF-2011	84.027	607,462		599,615	
Special Education - Preschool Grants (IDEA Preschool)	2010	84.173	6,945		253	
Special Education - Preschool Grants (IDEA Preschool)	2011	84.173	24,525		24,880	
ARRA - Special Education - Grants to States (IDEA Part B)	6B-SF-2010	84.391	27,146		89,206	
ARRA - Special Education - Grants to States (IDEA Part B)	6B-SF-2011	84.391	226,384		215,691	
ARRA - Special Education - Preschool Grants (IDEA Preschool)	2010	84.392	2,412		863	
ARRA - Special Education - Preschool Grants (IDEA Preschool)	2011	84.392	13,036		12,876	
<i>Total Special Education Cluster (IDEA)</i>			959,224		981,761	
Safe and Drug Free Schools and Community State Grant	DR-S1-2010	84.186	505		0	
Title II-D Technology Fund	CR-S1-11	84.340	164		0	
Improving Teacher Quality State Grants	CR-S1-10	84.367	26,675		30,096	
Improving Teacher Quality State Grants	CR-S1-11	84.367	143,999		142,977	
<i>Total Improving Teacher Quality State Grants</i>			170,674		173,073	
Education Jobs Fund	2011	84.410	70,281		62,546	
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grant	2010	84.394	0		50,257	
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grant	2011	84.394	720,518		580,748	
<i>Total ARRA - State Fiscal Stabilization Fund (SFSF)</i>			720,518		631,005	
ARRA - Teacher Incentive Fund	N/A	84.385	57,258		95,792	
ARRA - Race to the Top Fund	N/A	84.395	7,773		7,768	
<i>Total U.S. Department of Education</i>			2,532,189		2,503,588	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed Through Ohio Department of Education)						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Program)						
National School Lunch Program	N/A	10.555		\$63,195		\$63,195
Cash Assistance:						
National School Breakfast Program	N/A	10.553	116,001		116,001	
National School Lunch Program	N/A	10.555	427,629		427,629	
<i>Total U.S. Department of Agriculture - Child Nutrition Cluster</i>			543,630	63,195	543,630	63,195
<b>Total</b>			<b>\$3,075,819</b>	<b>\$63,195</b>	<b>\$3,047,218</b>	<b>\$63,195</b>

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

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA - Title I Grants to Local Educational Agencies	84.389	\$ 1,967
ARRA-Special Education Preschool Grants	84.392	1,967
Title II-D Technology Fund 84.340 300		
Special Education – Grants to States	84.027	12,922



# 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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate discretely presented component unit and remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 3, 2012. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 District's management in a separate letter dated January 3, 2012.

We intend this report solely for the information and use of management, the Board of Education, others within the District, federal awarding agencies and pass-through entities. 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 style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 3, 2012



# 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

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

To the Board of Education:

### Compliance

We have audited the compliance of the New Philadelphia City School District (the District) 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 each of the New Philadelphia City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District'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 District'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 District's compliance with those requirements.

In our opinion, the New Philadelphia City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District'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 District'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 District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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 did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 3, 2012.

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



**Dave Yost**  
Auditor of State

January 3, 2012

**NEW PHILADELPHIA CITY SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster (includes ARRA) – CFDA #84.027, #84.173, #84.391 and #84.392 State Fiscal Stabilization Fund (ARRA Program) - #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the New Philadelphia City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 3, 2012

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# Dave Yost • Auditor of State

**NEW PHILADELPHIA CITY SCHOOL DISTRICT**

**TUSCAWARAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2012**