



**Auditor of State  
Betty Montgomery**



**CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY**

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CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

City of New Philadelphia  
Tuscarawas County  
150 East High Avenue  
Suite 19  
New Philadelphia, Ohio 44663

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Sanitation 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 July 17, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

July 17, 2006

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*(Unaudited)*

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The discussion and analysis of the City of New Philadelphia's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2005 are as follows:

- General revenues accounted for \$10,083,120 in revenue or 54.7 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$8,349,175 or 45.3 percent of total revenues of \$18,432,295.
- Total program expenses were \$15,847,048 \$11,735,469 in governmental activities and \$4,111,579 in business-type activities.
- In total, net assets increased \$2,585,247. Net assets of governmental activities increased \$1,236,428, which represents a 5.2 percent increase from 2004. Net assets of business-type activities increased \$1,348,819 or 10 percent from 2004.
- Outstanding debt decreased from \$15,033,621 to \$14,209,793 through principal payments on debt.

***Using this Annual Financial Report***

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

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2005 and how they affected the operations of the City as a whole.

***Reporting the City of New Philadelphia as a Whole***

*Statement of Net Assets and the Statement of Activities*

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

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*(Unaudited)*

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A question typically asked about the City's finances "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Reporting the City of New Philadelphia's Most Significant Funds***

*Fund Financial Statements*

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

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

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

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2005  
(Unaudited)

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

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

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

**The City of New Philadelphia as a Whole**

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

Table 1 provides a summary of the City's net assets for 2005 compared to 2004:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and Other Assets	\$ 9,336,083	\$ 8,980,300	\$ 3,114,621	\$ 3,520,478	\$ 12,450,704	\$ 12,500,778
Capital Assets	24,032,363	23,617,927	22,413,131	21,110,576	46,445,494	44,728,503
Total Assets	33,368,446	32,598,227	25,527,752	24,631,054	58,896,198	57,229,281
<b>Liabilities</b>						
Long-Term Liabilities	5,457,815	6,007,317	10,444,304	10,785,643	15,902,119	16,792,960
Other Liabilities	3,005,468	2,922,175	293,743	404,525	3,299,211	3,326,700
Total Liabilities	8,463,283	8,929,492	10,738,047	11,190,168	19,201,330	20,119,660
<b>Net Assets</b>						
Invested in Capital Assets Net of Debt	19,660,705	18,674,116	13,537,296	11,970,353	33,198,001	30,644,469
Restricted	2,384,328	2,663,878	0	0	2,384,328	2,663,878
Unrestricted	2,860,130	2,330,741	1,252,409	1,470,533	4,112,539	3,801,274
Total Net Assets	\$ 24,905,163	\$ 23,668,735	\$ 14,789,705	\$ 13,440,886	\$ 39,694,868	\$ 37,109,621

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2005  
(Unaudited)

Total assets increased by \$1,666,276 with governmental assets increasing \$770,219 and business-type assets increasing \$896,057. An increase of \$1,716,350 in total capital assets reflects additions exceeding depreciation expense. An increase of \$1,302,555 in business-type activities reflects improvements and additions in the Water and Sewer departments and was the majority of the increase in business-type assets. Total liabilities decreased by \$918,330 with governmental liabilities decreasing \$466,209 and business-type liabilities decreasing \$452,121. The majority of this decrease was the result of principal payments on debt.

Total net assets increased by 2,585,247. This number reflects an increase of \$1,236,428 in governmental activities and an increase \$1,348,819 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal year 2005 and 2004. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,759,206	\$ 1,661,534	\$ 3,991,796	\$ 3,988,127	\$ 5,751,002	\$ 5,649,661
Operating Grants	1,052,612	1,655,273	333,677	354,086	1,386,289	2,009,359
Capital Grants	297,736	85,237	914,148	441,737	1,211,884	526,974
<i>General Revenues:</i>						
Property Taxes	2,358,851	2,221,574	0	0	2,358,851	2,221,574
Income Taxes	4,680,935	3,828,492	73	74	4,681,008	3,828,566
Grants and Entitlements	1,170,820	1,219,807	0	0	1,170,820	1,219,807
Investment Earnings	209,003	105,642	0	0	209,003	105,642
Other	1,646,110	280,878	17,328	66,801	1,663,438	347,679
<b>Total Revenues</b>	<b>13,175,273</b>	<b>11,058,437</b>	<b>5,257,022</b>	<b>4,850,825</b>	<b>18,432,295</b>	<b>15,909,262</b>
<b>Program Expenses</b>						
General Government	3,201,838	3,264,897	0	0	3,201,838	3,264,897
Security of Persons and Property	3,735,924	3,686,702	0	0	3,735,924	3,686,702
Transportation	1,583,043	1,047,542	0	0	1,583,043	1,047,542
Public Health Services	615,249	631,839	0	0	615,249	631,839
Community and Economic Development	491,428	221,790			491,428	221,790
Basic Utility Services	1,084,585	1,103,642	0	0	1,084,585	1,103,642
Leisure Time Activities	793,085	581,201	0	0	793,085	581,201
Interest and Fiscal Charges	230,317	266,364	0	0	230,317	266,364
<i>Enterprise Operations:</i>						
Water	0	0	2,406,589	2,256,586	2,406,589	2,256,586
Sewer	0	0	1,704,990	1,677,037	1,704,990	1,677,037
<b>Total Program Expenses</b>	<b>11,735,469</b>	<b>10,803,977</b>	<b>4,111,579</b>	<b>3,933,623</b>	<b>15,847,048</b>	<b>14,737,600</b>
Increase in Net Assets	1,439,804	254,460	1,145,443	917,202	2,585,247	1,171,662
Transfers	(203,376)	0	203,376	0	0	0
<b>Increase in Net Assets</b>	<b>\$ 1,236,428</b>	<b>\$ 254,460</b>	<b>\$ 1,348,819</b>	<b>\$ 917,202</b>	<b>\$ 2,585,247</b>	<b>\$ 1,171,662</b>

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*(Unaudited)*

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**Governmental Activities**

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

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

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

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,735,924 represents 31.8 percent of the total expenses. These two departments operate out of the General fund.

The City also maintains a cemetery (public health services) and a park (leisure time services) within the City. These areas had expenses of \$1,408,334 in 2005 equaling 12 percent of the total governmental services expenses.

**Business-Type Activities**

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2005, charges for services of \$3,991,796 accounted for 75.9 percent of the business-type revenues. The total expenses for the utilities were \$4,111,579. The City had an increase in net assets of \$1,348,819 for the business-type activities.

***The City's Funds***

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$12,276,946 and expenditures of \$11,320,869. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 18. These funds are accounted for on an accrual basis. All business type funds had operating expenses of \$4,063,679 which was more than operating revenues of \$3,997,111, by \$66,568 or 1.7 percent of operating revenues.

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2005  
(Unaudited)

**General Fund Budgeting Highlights**

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

During the course of 2005, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, actual receipts exceeded the final budgeted revenues and other financing sources by \$154,019. The primary factors contributing to this were intergovernmental revenue and investment earnings exceeding expectations.

Actual disbursements and other financing uses of the general fund were \$278,654 below the final budgeted amount of \$5,605,017. The primary factor contributing to this was disbursements for security of persons and property being \$86,972 below budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2005, the City had \$46,445,494 invested in land, buildings, equipment, infrastructure and vehicles. A total of \$24,032,363 of this was for governmental activities with the remainder attributable to business-type activities. Table 3 shows fiscal year 2005 balances compared with 2004.

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 826,576	\$ 826,576	\$ 41,899	\$ 41,899	\$ 868,475	\$ 868,475
Buildings and Building Improvements	4,580,335	4,746,002	5,442,036	5,670,375	10,022,371	10,416,377
Improvements Other Than Buildings	2,989,667	3,090,483	6,170,450	6,284,412	9,160,117	9,374,895
Machinery and Equipment	988,918	1,023,655	807,923	786,423	1,796,841	1,810,078
Furniture and Fixtures	30,697	34,949	1,028	1,028	31,725	35,977
Vehicles	896,888	971,402	89,885	114,325	986,773	1,085,727
Construction in Progress	0	0	631,418	231,339	631,418	231,339
Infrastructure	13,719,282	12,924,860	0	0	13,719,282	12,924,860
Water Lines		0	6,264,119	5,924,051	6,264,119	5,924,051
Sewer Lines		0	2,964,373	2,056,724	2,964,373	2,056,724
<b>Totals</b>	<b>\$ 24,032,363</b>	<b>\$ 23,617,927</b>	<b>\$ 22,413,131</b>	<b>\$ 21,110,576</b>	<b>\$ 46,445,494</b>	<b>\$ 44,728,503</b>

The \$1,716,991 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 10 provides capital asset activity during the 2005 year.

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*(Unaudited)*

**Debt**

The outstanding debt for the City of New Philadelphia as of December 31, 2005 was \$14,209,793 with \$1,141,475 due within one year. Table 4 summarizes outstanding debt.

**(Table 4)**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Police and Fire Pension	\$ 161,487	\$ 164,200	\$ 0	\$ 0	\$ 161,487	\$ 164,200
General Obligation Bonds	3,462,542	3,918,472	0	0	3,462,542	3,918,472
Special Assessment Bonds	152,458	196,528	0	0	152,458	196,528
ODOT Loan	198,061	192,250	0	0	198,061	192,250
Tractor Loan	5,561	11,123	0	0	5,561	11,123
Tractor Loan	18,371	0	0	0	18,371	0
OPWC Loans	0	0	472,500	428,426	472,500	428,426
OWDA Loans	0	0	9,738,813	10,122,622	9,738,813	10,122,622
<i>Total</i>	<u>\$ 3,998,480</u>	<u>\$ 4,482,573</u>	<u>\$ 10,211,313</u>	<u>\$ 10,551,048</u>	<u>\$ 14,209,793</u>	<u>\$ 15,033,621</u>

The general obligation bonds are composed of city improvement bonds, park improvement bonds and downtown improvement bonds.

The special assessment bonds consist of various construction projects, various sidewalk improvements, and various other improvements. The principal and interest for these bonds are paid from the collection of special assessments by the County Auditor from the specific property owners who primarily benefited from the projects.

Additional information concerning the City's debt can be found in Note 16 to the basic financial statements.

***Current Financial Issues***

The voters of the City of New Philadelphia approved a .5 percent income tax increase in May 2005. Approximately \$1.9 million in additional revenue will be collected with this new tax. As part of the program to win voter approval of this tax increase, the City has embarked on a project to greatly improve its capabilities to handle storm water runoff. It is estimated that the total cost for the storm sewer project(s) will be 25 to 30 million dollars over the next 25 years.

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*(Unaudited)*

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***Current Financial Issues (continued)***

The City of New Philadelphia has awarded contracts for infrastructure improvement and development of the new Tuscarawas Regional High Tech Park, which is under construction directly across from the Tuscarawas Campus of Kent State University. The plan for the park is to have 27 lots available for highly technical enterprises. The entire technical park is projected to offer a total of 600 jobs with an estimated annual payroll of \$30 million.

The plans for the future are always made keeping a careful watch on the financial condition of the City. The City of New Philadelphia is financially strong. It is the goal to keep it that way and still grow and meet the needs of the future. The City showed its strength in 2005 by continuing to provide services to the citizens at its highest level.

***Contacting the City's Finance Department***

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

**City of New Philadelphia**

*Statement of Net Assets*

December 31, 2005

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,692,868	\$ 2,140,309	\$ 5,833,177
Accounts Receivable	222,053	600,137	822,190
Intergovernmental Receivable	1,268,286	33,472	1,301,758
Taxes Receivable	3,783,029	0	3,783,029
Loans Receivable	4,610	0	4,610
Special Assessments Receivable	174,586	0	174,586
Materials and Supplies Inventory	190,651	340,703	531,354
Non-Depreciable Capital Assets	826,576	673,317	1,499,893
Depreciable Capital Assets, net	23,205,787	21,739,814	44,945,601
<i>Total Assets</i>	<u>33,368,446</u>	<u>25,527,752</u>	<u>58,896,198</u>
<b>Liabilities</b>			
Accounts Payable	110,477	82,587	193,064
Accrued Wages	195,253	44,186	239,439
Contracts Payable	143,645	70,795	214,440
Intergovernmental Payable	367,837	70,552	438,389
Undistributed Monies	894	0	894
Accrued Interest Payable	15,291	25,623	40,914
Deferred Revenue	2,172,071	0	2,172,071
Long-Term Liabilities:			
Due Within One Year	749,643	585,980	1,335,623
Due in More Than One Year	4,708,172	9,858,324	14,566,496
<i>Total Liabilities</i>	<u>8,463,283</u>	<u>10,738,047</u>	<u>19,201,330</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	19,660,705	13,537,296	33,198,001
Restricted for Debt Service	577,747	0	577,747
Restricted for Capital Outlay	454,240	0	454,240
Restricted for Other Purposes	1,352,341	0	1,352,341
Unrestricted	2,860,130	1,252,409	4,112,539
<i>Total Net Assets</i>	<u>\$ 24,905,163</u>	<u>\$ 14,789,705</u>	<u>\$ 39,694,868</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Statement of Activities*  
For the Year Ended December 31, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 3,201,838	\$ 915,791	\$ 10,879	\$ 0	\$ (2,275,168)	\$ 0	\$ (2,275,168)
Security of Persons and Property	3,735,924	331,577	26,862	206	(3,377,279)	0	(3,377,279)
Public Health	615,249	255,044	1,148	602	(358,455)	0	(358,455)
Leisure Time Services	793,085	0	0	10,000	(783,085)	0	(783,085)
Community and Economic Development	491,428	111,984	0	118,833	(260,611)	0	(260,611)
Basic Utility Services	1,084,585	74,788	133,909	0	(875,888)	0	(875,888)
Transportation	1,583,043	70,022	879,814	168,095	(465,112)	0	(465,112)
Interest and Fiscal Charges	230,317	0	0	0	(230,317)	0	(230,317)
<i>Total Governmental Activities</i>	<u>11,735,469</u>	<u>1,759,206</u>	<u>1,052,612</u>	<u>297,736</u>	<u>(8,625,915)</u>	<u>0</u>	<u>(8,625,915)</u>
<b>Business-Type Activities</b>							
Water	2,406,589	2,129,610	0	576,629	0	299,650	299,650
Sewer	1,704,990	1,862,186	333,677	337,519	0	828,392	828,392
<i>Total Business-Type Activities</i>	<u>4,111,579</u>	<u>3,991,796</u>	<u>333,677</u>	<u>914,148</u>	<u>0</u>	<u>1,128,042</u>	<u>1,128,042</u>
<i>Total - Primary Government</i>	<u>\$ 15,847,048</u>	<u>\$ 5,751,002</u>	<u>\$ 1,386,289</u>	<u>\$ 1,211,884</u>	<u>(8,625,915)</u>	<u>1,128,042</u>	<u>(7,497,873)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					1,104,387	0	1,104,387
Other Purposes					1,254,464	0	1,254,464
Income Taxes Levied for:							
General Purposes					2,283,518	0	2,283,518
Other Purposes					2,397,417	73	2,397,490
Grants and Entitlements not Restricted to Specific Programs							
Unrestricted Contributions					1,170,820	0	1,170,820
Investment Earnings					1,410,912	0	1,410,912
Miscellaneous					209,003	0	209,003
					235,198	17,328	252,526
<i>Total General Revenues</i>					<u>10,065,719</u>	<u>17,401</u>	<u>10,083,120</u>
Transfers					(203,376)	203,376	0
<i>Total General Revenues and Transfers</i>					<u>9,862,343</u>	<u>220,777</u>	<u>10,083,120</u>
<i>Change in Net Assets</i>					<u>1,236,428</u>	<u>1,348,819</u>	<u>2,585,247</u>
<i>Net Assets Beginning of Year</i>					<u>23,668,735</u>	<u>13,440,886</u>	<u>37,109,621</u>
<i>Net Assets End of Year</i>					<u>\$ 24,905,163</u>	<u>\$ 14,789,705</u>	<u>\$ 39,694,868</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**

*Balance Sheet*

*Governmental Funds*

*December 31, 2005*

	<u>General</u>	<u>Sanitation</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$ 966,654	\$ 140,061	\$ 2,586,153	\$ 3,692,868
Accounts Receivable	57,856	1,229	162,968	222,053
Intergovernmental Receivable	573,480	77,954	616,852	1,268,286
Taxes Receivable	1,611,175	807,877	1,363,977	3,783,029
Loans Receivable	0	0	4,610	4,610
Special Assessments Receivable	0	0	174,586	174,586
Materials and Supplies Inventory	60,275	2,628	127,748	190,651
<i>Total Assets</i>	<u>\$ 3,269,440</u>	<u>\$ 1,029,749</u>	<u>\$ 5,036,894</u>	<u>\$ 9,336,083</u>
<b>Liabilities</b>				
Accounts Payable	19,128	31,826	59,523	110,477
Accrued Wages	103,278	15,396	76,579	195,253
Contracts Payable	0	0	143,645	143,645
Intergovernmental Payable	200,447	24,351	143,039	367,837
Undistributed Monies	0	0	894	894
Deferred Revenue	1,518,726	850,391	1,179,539	3,548,656
<i>Total Liabilities</i>	<u>1,841,579</u>	<u>921,964</u>	<u>1,603,219</u>	<u>4,366,762</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	26,382	1,631	103,363	131,376
Reserved for Inventory	60,275	2,628	127,748	190,651
Reserved for Unclaimed Monies	18,557	0	0	18,557
Reserved for Loans Receivable	0	0	4,610	4,610
Unreserved, Undesignated, Reported in:				
General Fund	1,322,647	0	213,906	1,536,553
Special Revenue Funds	0	103,526	1,978,916	2,082,442
Debt Service Funds	0	0	378,208	378,208
Capital Projects Funds	0	0	302,396	302,396
Permanent Funds	0	0	324,528	324,528
<i>Total Fund Balances</i>	<u>1,427,861</u>	<u>107,785</u>	<u>3,433,675</u>	<u>4,969,321</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 3,269,440</u>	<u>\$ 1,029,749</u>	<u>\$ 5,036,894</u>	<u>\$ 9,336,083</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2005*

<b>Total Governmental Fund Balances</b>		\$ 4,969,321
 <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.		24,032,363
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Property Taxes	159,927	
Income Tax	248,334	
Intergovernmental	761,764	
Charges for Services	31,974	
Special Assessments	<u>174,586</u>	
Total		1,376,585
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(15,291)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (3,462,542)	
Special Assessment Bonds	(152,458)	
Tractor Loan	(23,932)	
ODOT Loan	(198,061)	
Capital Leases	(534,665)	
Police and Fire Pension	(161,487)	
Compensated Absences	<u>(924,670)</u>	
Total		<u>(5,457,815)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 24,905,163</u></u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Sanitation	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 1,097,678	\$ 831,569	\$ 415,349	\$ 2,344,596
Income Taxes	2,397,345	0	2,366,608	4,763,953
Special Assessments	0	0	61,082	61,082
Charges for Services	84,049	74,788	541,335	700,172
Licenses and Permits	7,891	0	111,984	119,875
Fines and Forfeitures	338,083	0	535,884	873,967
Intergovernmental	1,170,491	133,511	1,570,983	2,874,985
Interest	178,146	0	30,857	209,003
Rent	38,273	0	33,109	71,382
Contributions and Donations	10,808	0	8,550	19,358
Other	162,874	1,034	74,665	238,573
<i>Total Revenues</i>	<u>5,485,638</u>	<u>1,040,902</u>	<u>5,750,406</u>	<u>12,276,946</u>
<b>Expenditures</b>				
Current:				
General Government	1,657,394	0	922,787	2,580,181
Security of Persons and Property	2,595,614	0	985,168	3,580,782
Public Health	210,492	0	359,305	569,797
Leisure Time Services	527,538	0	0	527,538
Community and Economic Development	0	0	491,428	491,428
Basic Utility Services	0	1,031,867	0	1,031,867
Transportation	32,446	0	1,166,244	1,198,690
Capital Outlay	74,337	0	440,986	515,323
Debt Service:				
Principal Retirement	11,588	0	587,460	599,048
Interest and Fiscal Charges	8,292	0	217,923	226,215
<i>Total Expenditures</i>	<u>5,117,701</u>	<u>1,031,867</u>	<u>5,171,301</u>	<u>11,320,869</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>367,937</u>	<u>9,035</u>	<u>579,105</u>	<u>956,077</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	70,874	70,874
Proceeds of Loans	18,371	0	0	18,371
Proceeds from Sale of Capital Assets	1,125	0	0	1,125
Transfers Out	(42,974)	0	(231,276)	(274,250)
Other Financing Uses	0	0	(4,500)	(4,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(23,478)</u>	<u>0</u>	<u>(164,902)</u>	<u>(188,380)</u>
<i>Net Change in Fund Balance</i>	344,459	9,035	414,203	767,697
<i>Fund Balance Beginning of Year</i>	1,058,969	98,531	3,040,380	4,197,880
Increase (Decrease) in Reserve for Inventory	24,433	219	(20,908)	3,744
<i>Fund Balance End of Year</i>	<u>\$ 1,427,861</u>	<u>\$ 107,785</u>	<u>\$ 3,433,675</u>	<u>\$ 4,969,321</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
December 31, 2005*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 767,697

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	\$	1,682,512	
Current Year Depreciation		<u>(1,157,616)</u>	
Total			524,896

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (110,460)

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

Delinquent Property Taxes		14,255	
Income Tax		(83,018)	
Intergovernmental		(364,625)	
Charges for Services		<u>(67,272)</u>	
Total			(500,660)

Repayment of bond principal, capital lease payments and loans are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 599,048

In the statement of activities, interest in accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (4,102)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.  
Proceeds of Loans (18,371)

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

Compensated Absences		(25,364)	
Change in Inventory		<u>3,744</u>	
Total			<u>(21,620)</u>

*Change in Net Assets of Governmental Activities* \$ 1,236,428

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$ 1,041,500	\$ 1,091,500	\$ 1,097,678	\$ 6,178
Income Taxes	2,440,000	2,475,000	2,473,486	(1,514)
Charges for Services	73,200	83,200	84,049	849
Licenses and Permits	5,000	6,000	7,891	1,891
Fines and Forfeitures	467,700	330,302	336,888	6,586
Intergovernmental	1,161,238	1,179,338	1,236,645	57,307
Interest	100,000	114,000	178,146	64,146
Rent	35,000	35,000	37,770	2,770
Contributions and Donations	3,730	10,130	10,808	678
Other	133,832	164,105	160,798	(3,307)
<i>Total Revenues</i>	<u>5,461,200</u>	<u>5,488,575</u>	<u>5,624,159</u>	<u>135,584</u>
<b>Expenditures</b>				
Current:				
General Government	1,673,722	1,702,244	1,646,190	56,054
Security of Persons and Property	2,827,539	2,827,538	2,740,566	86,972
Public Health	205,626	231,299	221,543	9,756
Leisure Time Services	518,839	552,832	525,385	27,447
Transportation	31,017	32,568	31,979	589
Capital Outlay	66,455	137,556	88,782	48,774
Debt Service:				
Principal Retirements	11,588	11,588	11,588	0
Interest and Fiscal Charges	8,292	8,292	8,292	0
<i>Total Expenditures</i>	<u>5,343,078</u>	<u>5,503,917</u>	<u>5,274,325</u>	<u>229,592</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>118,122</u>	<u>(15,342)</u>	<u>349,834</u>	<u>365,176</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	0	0	18,371	(18,371)
Proceeds from Sale of Capital Assets	2,500	1,125	1,125	0
Advances In	0	9,000	9,064	(64)
Transfers Out	0	(81,100)	(42,974)	(38,126)
Advances Out	(20,000)	(20,000)	(9,064)	(10,936)
<i>Total Other Financing Sources (Uses)</i>	<u>(17,500)</u>	<u>(90,975)</u>	<u>(23,478)</u>	<u>(67,497)</u>
<i>Net Change in Fund Balance</i>	100,622	(106,317)	326,356	432,673
<i>Fund Balance Beginning of Year</i>	547,380	547,380	547,380	0
<i>Prior Year Encumbrances Appropriated</i>	<u>42,658</u>	<u>42,658</u>	<u>42,658</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 690,660</u>	<u>\$ 483,721</u>	<u>\$ 916,394</u>	<u>\$ 432,673</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Sanitation Fund*  
*For the Year Ended December 31, 2005*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property Taxes	\$ 795,300	\$ 825,000	\$ 831,569	\$ 6,569
Charges for Services	40,000	42,300	74,788	32,488
Intergovernmental	110,000	98,000	98,071	71
Other	<u>0</u>	<u>0</u>	<u>70</u>	<u>70</u>
<i>Total Revenues</i>	<u>945,300</u>	<u>965,300</u>	<u>1,004,498</u>	<u>39,198</u>
<b>Expenditures</b>				
Basic Utility Services	<u>1,107,179</u>	<u>1,124,451</u>	<u>1,060,053</u>	<u>64,398</u>
<i>Total Expenditures</i>	<u>1,107,179</u>	<u>1,124,451</u>	<u>1,060,053</u>	<u>64,398</u>
<i>Net Change in Fund Balance</i>	(161,879)	(159,151)	(55,555)	103,596
<i>Fund Balance Beginning of Year</i>	127,625	127,625	127,625	0
Prior Year Encumbrances Appropriated	<u>37,517</u>	<u>37,517</u>	<u>37,517</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 3,263</u>	<u>\$ 5,991</u>	<u>\$ 109,587</u>	<u>\$ 103,596</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2005*

	Enterprise Funds		
	Water	Sewer	Totals
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,149,355	\$ 990,954	\$ 2,140,309
Accounts Receivable	314,104	286,033	600,137
Intergovernmental Receivable	0	33,472	33,472
Materials and Supplies Inventory	305,201	35,502	340,703
<i>Total Current Assets</i>	<u>1,768,660</u>	<u>1,345,961</u>	<u>3,114,621</u>
<i>Non-Current Assets:</i>			
Non-Depreciable Capital Assets	270,653	402,664	673,317
Depreciable Capital Assets, Net	9,478,673	12,261,141	21,739,814
<i>Total Non-Current Assets</i>	<u>9,749,326</u>	<u>12,663,805</u>	<u>22,413,131</u>
<i>Total Assets</i>	<u>11,517,986</u>	<u>14,009,766</u>	<u>25,527,752</u>
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	46,722	35,865	82,587
Accrued Wages	24,695	19,491	44,186
Contracts Payable	15,010	55,785	70,795
Intergovernmental Payable	39,848	30,704	70,552
Accrued Interest Payable	0	25,623	25,623
Compensated Absences Payable	15,560	10,786	26,346
OPWC Loans Payable	5,000	27,500	32,500
OWDA Loans Payable	0	527,134	527,134
<i>Total Current Liabilities</i>	<u>146,835</u>	<u>732,888</u>	<u>879,723</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable - Net of Current Portion	124,158	82,487	206,645
OPWC Loans Payable - Net of Current Portion	92,500	347,500	440,000
OWDA Loans Payable - Net of Current Portion	0	9,211,679	9,211,679
<i>Total Long-Term Liabilities</i>	<u>216,658</u>	<u>9,641,666</u>	<u>9,858,324</u>
<i>Total Liabilities</i>	<u>363,493</u>	<u>10,374,554</u>	<u>10,738,047</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	9,636,816	3,900,480	13,537,296
Unrestricted	1,517,677	(265,268)	1,252,409
<i>Total Net Assets</i>	<u>\$ 11,154,493</u>	<u>\$ 3,635,212</u>	<u>\$ 14,789,705</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2005*

	Enterprise Funds		
	Water	Sewer	Totals
<b>Operating Revenue</b>			
Charges for Services	\$ 2,129,610	\$ 1,862,186	\$ 3,991,796
Other	4,102	1,213	5,315
<i>Total Operating Revenues</i>	<u>2,133,712</u>	<u>1,863,399</u>	<u>3,997,111</u>
<b>Operating Expenses</b>			
Salaries and Wages	741,979	579,064	1,321,043
Fringe Benefits	262,188	202,888	465,076
Contractual Services	775,928	302,320	1,078,248
Materials and Supplies	212,130	127,252	339,382
Depreciation	414,364	445,566	859,930
<i>Total Operating Expenses</i>	<u>2,406,589</u>	<u>1,657,090</u>	<u>4,063,679</u>
<i>Operating Income (Loss)</i>	<u>(272,877)</u>	<u>206,309</u>	<u>(66,568)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Intergovernmental	0	333,677	333,677
Other Revenue	73	0	73
Gain on Sale of Capital Assets	0	12,013	12,013
Interest and Fiscal Charges	0	(47,900)	(47,900)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>73</u>	<u>297,790</u>	<u>297,863</u>
<i>Income (Loss) Before Contributions</i>	<u>(272,804)</u>	<u>504,099</u>	<u>231,295</u>
Capital Contributions	576,629	540,895	1,117,524
<i>Change in Net Assets</i>	<u>303,825</u>	<u>1,044,994</u>	<u>1,348,819</u>
<i>Net Assets Beginning of Year</i>	<u>10,850,668</u>	<u>2,590,218</u>	<u>13,440,886</u>
<i>Net Assets End of Year</i>	<u>\$ 11,154,493</u>	<u>\$ 3,635,212</u>	<u>\$ 14,789,705</u>

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2005

	Enterprise Funds		
	Water	Sewer	Totals
<b>Decrease in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 2,124,620	\$ 1,861,830	\$ 3,986,450
Other Operating Receipts	29,134	1,213	30,347
Cash Payments to Suppliers for Goods and Services	(222,292)	(115,510)	(337,802)
Cash Payments to Employees	(1,014,206)	(782,393)	(1,796,599)
Cash Payments for Contractual Services	(782,475)	(296,186)	(1,078,661)
<i>Net Cash Provided by Operating Activities</i>	<u>134,781</u>	<u>668,954</u>	<u>803,735</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Other Receipts	101	0	101
Intergovernmental Receipts	0	300,205	300,205
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>101</u>	<u>300,205</u>	<u>300,306</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from Loans	0	136,495	136,495
Acquisition of Capital Assets	(216,415)	(878,493)	(1,094,908)
Principal Payments on Debt	(2,500)	(547,804)	(550,304)
Interest Payments	0	(45,036)	(45,036)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(218,915)</u>	<u>(1,334,838)</u>	<u>(1,553,753)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(84,033)	(365,679)	(449,712)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,233,388</u>	<u>1,356,633</u>	<u>2,590,021</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 1,149,355</u>	<u>\$ 990,954</u>	<u>\$ 2,140,309</u>

(continued)

**City of New Philadelphia**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2005

	Enterprise Funds		
	Water	Sewer	Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (272,877)	\$ 206,309	(66,568)
Adjustments:			
Depreciation	414,364	445,566	859,930
(Increase) Decrease in Assets:			
Accounts Receivable	20,042	(356)	19,686
Materials and Supplies Inventory	(31,754)	1,657	(30,097)
Increase (Decrease) in Liabilities:			
Accounts Payable	15,045	16,219	31,264
Accrued Wages	(3,428)	(2,568)	(5,996)
Compensated Absences Payable	(4,458)	2,854	(1,604)
Intergovernmental Payable	(2,153)	(727)	(2,880)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 134,781</u>	<u>\$ 668,954</u>	<u>\$ 803,735</u>

**Noncash Capital Financing Activities:**

During 2005, capital assets were donated by developers to the water and sewer enterprise funds in the amount of \$576,629 and \$540,895 respectively.

See accompanying notes and accountant's compilation report.

**City of New Philadelphia**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*December 31, 2005*

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	<u>Agency Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 118,082
Cash and Cash Equivalents in Segregated Accounts	202,411
Accounts Receivable	<u>2,372</u>
<i>Total Assets</i>	<u>\$ 322,865</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 322,865</u>

See accompanying notes and accountant's compilation report.

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**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
*December 31, 2005*

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**NOTE 1: REPORTING ENTITY**

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

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

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

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

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

The City is associated with certain organizations which are defined as Jointly Governed Organizations. These organizations are presented in the notes to the basic financial statements (See Note 19). These organizations are:

Community Improvement Corporation of Tuscarawas County  
Southeastern Ohio Narcotics Team (S.E.N.T.)  
Ohio Mid-Eastern Governments Association (OMEGA)  
Tax Incentive Review Council (TIRC)

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Basis of Presentation***

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

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Fund Accounting***

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

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

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

***Sanitation Special Revenue Fund*** The sanitation special revenue fund is used to account for revenues generated from charges for sanitation services, provided to residential and commercial users of the City.

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

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

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

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

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for court collections that are distributed to various other City funds.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Pooled Cash and Cash Equivalents***

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

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

During 2005, investments were limited to STAROhio, (the State Treasury Asset Reserve of Ohio).

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$178,146, which includes \$154,660 assigned from other City funds.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 6, Deposits and Investments.

***F. Materials and Supplies 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 cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies.

***G. Capital Assets***

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

***H. Compensated Absences***

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

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

***J. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

***K. Fund Balance Reserves***

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

***L. Operating Revenues and Expenses***

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***M. Contributions of Capital***

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

***N. Interfund Activity***

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

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

***O. Extraordinary and Special Items***

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

***P. Estimates***

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

***Q. Budgetary Data***

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2005, the City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. The implementation of GASB Statement No. 40 did not have a significant effect on the financial statements of the City. Refer to Note 6 for additional documentation concerning GASB Statement No. 40.

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

**Net Change in Fund Balance**

	General	Sanitation
GAAP Basis	\$ 344,459	\$ 9,035
Revenue accruals	147,585	(36,404)
Expenditure accruals	(201,204)	(58,661)
Encumbrances	35,516	30,475
Budget Basis	\$ 326,356	\$ (55,555)

**NOTE 5: FUND DEFICITS**

Fund balances at December 31, 2005 included a fund balance deficit in the CDBG Grant fund of \$(51,310). The deficit in this fund resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

**NOTE 6: DEPOSITS AND INVESTMENTS**

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

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2005, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At year-end, the carrying amount of the City's deposits was \$5,204,382. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2005, \$5,166,651 of the City's bank balance of \$5,387,229 was exposed to custodial risk as discussed above, while \$220,578 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of June 30, 2005, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	\$ 948,406	\$ 948,406

***Interest Rate Risk*** State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. The City had no investment policy that would further limit investment choices.

***Credit Risk*** Standard & Poor's has assigned STAROhio an AAA rating.

***Concentration of Credit Risk*** The following table includes the percentage to total of each investment type held by the City at December 31, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$ 948,406	100.00%

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
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**NOTE 7: PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) and for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes which became alien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the values as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2005 was \$9.62 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$ 291,035,200
Public Utility Real Property and Minerals	67,880
Public Utility Tangible Property	9,051,270
Tangible Personal Property	<u>41,352,913</u>
Total	<u>\$ 341,507,263</u>

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 7: PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of New Philadelphia. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005 and for which there is an enforceable legal claim. In the general fund; police pension, fire pension and police and fire operating special revenue funds; and general obligation bond debt service fund; the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2005 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 8: RECEIVABLES**

Receivables at December 31, 2005 consisted of taxes, accounts (billed and unbilled user charged services), special assessments, loans (community development block grant monies loaned to local businesses) and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts, special assessments, loans and intergovernmental receivables are deemed collectible in full.

Special assessments expected to be collected in more than one year amount to \$174,586 in the downtown improvement bond retirement fund. At December 31, 2005 the amount of the delinquent special assessments was \$2,076.

**NOTE 9: INCOME TAX**

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 10: CAPITAL ASSETS**

A summary of changes in capital assets during 2005 follows:

	<u>12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2005</u>
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 826,576	\$ 0	\$ 0	\$ 826,576
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	7,239,123	0	0	7,239,123
Improvements Other than Buildings	4,280,387	31,943	0	4,312,330
Machinery and Equipment	2,992,668	238,547	(132,759)	3,098,456
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	3,358,925	63,434	0	3,422,359
Infrastructure	20,803,548	1,348,588	0	22,152,136
<i>Total Capital Assets, Being Depreciated</i>	<u>38,784,742</u>	<u>1,682,512</u>	<u>(132,759)</u>	<u>40,334,495</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(2,493,121)	(165,667)	0	(2,658,788)
Improvements Other than Buildings	(1,189,904)	(132,759)	0	(1,322,663)
Machinery and Equipment	(1,969,013)	(162,824)	22,299	(2,109,538)
Furniture and Fixtures	(75,142)	(4,252)	0	(79,394)
Vehicles	(2,387,523)	(137,948)	0	(2,525,471)
Infrastructure	(7,878,688)	(554,166)	0	(8,432,854)
<i>Total Accumulated Depreciation</i>	<u>(15,993,391)</u>	<u>(1,157,616) *</u>	<u>22,299</u>	<u>(17,128,708)</u>
<i>Total Capital Assets Being Depreciated</i>	<u>22,791,351</u>	<u>524,896</u>	<u>(110,460)</u>	<u>23,205,787</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 23,617,927</u>	<u>\$ 524,896</u>	<u>\$ (110,460)</u>	<u>\$ 24,032,363</u>

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

General Government	\$ 639,823
Basic Utility Services	54,102
Leisure Time Services	194,973
Public Health	5,781
Security of Persons and Property	135,636
Transportation	127,301
<b>Total</b>	<u>\$ 1,157,616</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 10: CAPITAL ASSETS (Continued)**

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 41,899	\$ 0	\$ 0	\$ 41,899
Construction in Progress	231,339	1,026,501	(626,422)	631,418
<i>Total Capital Assets Not Being Depreciated</i>	<u>273,238</u>	<u>1,026,501</u>	<u>(626,422)</u>	<u>673,317</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings	8,822,478	0	0	8,822,478
Improvements Other than Buildings	6,526,339	92,242	0	6,618,581
Machinery and Equipment	3,962,951	150,831	(32,464)	4,081,318
Furniture and Fixtures	20,554	0	0	20,554
Vehicles	704,484	0	0	704,484
Sewer lines	4,048,978	963,941	0	5,012,919
Water lines	11,317,216	576,629	0	11,893,845
<i>Total Capital Assets, Being Depreciated</i>	<u>35,403,000</u>	<u>1,783,643</u>	<u>(32,464)</u>	<u>37,154,179</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(3,152,103)	(228,339)	0	(3,380,442)
Improvements other than buildings	(241,927)	(206,204)	0	(448,131)
Machinery and equipment	(3,176,528)	(108,094)	11,227	(3,273,395)
Furniture and fixtures	(19,526)	0	0	(19,526)
Vehicles	(590,159)	(24,440)	0	(614,599)
Sewer lines	(1,992,254)	(56,292)	0	(2,048,546)
Water lines	(5,393,165)	(236,561)	0	(5,629,726)
<i>Total Accumulated Depreciation</i>	<u>(14,565,662)</u>	<u>(859,930)</u>	<u>11,227</u>	<u>(15,414,365)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>20,837,338</u>	<u>923,713</u>	<u>(21,237)</u>	<u>21,739,814</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 21,110,576</u>	<u>\$ 1,950,214</u>	<u>\$ (647,659)</u>	<u>\$ 22,413,131</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 11: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Scottsdale Indemnity Co.	Public Officials Liability	\$ 5,000
	Law Enforcement Liability	5,000
	Building and personal property	5,000
	Boiler and machinery	5,000
	Commercial inland marine	1,000
Westfield	Commercial auto	\$250 comprehensive \$1,000 collision
Scottsdale Indemnity Co.	General Liability	None

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

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

**NOTE 12: DEFINED BENEFIT PENSION PLANS**

***A. Ohio Public Employees Retirement System***

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer deferred benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions. The City pays 4.5 percent of the 8.5 percent employee contribution as an additional benefit to certain employees in the AFSCME Union and Municipal Court.

The City's required contributions for pension obligations to all three plans for the years ended December 31, 2005, 2004 and 2003 were \$617,138, \$623,060 and \$617,099, respectively. 77 percent has been contributed for 2005 and 100 percent for 2004 and 2003.

***B. Ohio Police and Fire Pension Fund***

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F for police and firefighters were \$190,843 and \$265,955 for the year ended December 31, 2005, \$189,038 and \$257,326 for the year ended December 31, 2004, \$191,995 and \$254,414 for 2003. The full amount has been contributed for 2004 and 2003 and 75.66 percent and 76.38 percent, respectively, has been contributed for 2005.

**NOTE 13: POSTEMPLOYMENT BENEFITS**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual City contributions for 2005 which were used to fund postemployment benefits were \$182,181. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

***B. Ohio Police and Fire Pension Fund***

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)**

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$75,130 for police and \$83,095 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 was 13,812 for police and 10,528 for firefighters.

**NOTE 14: OTHER EMPLOYEE BENEFITS**

***A. Additional Insurance***

The City contracts with AultCare for major medical insurance for all full-time employees, Vision Service Plan for vision insurance for all full-time employees, and AFSCME Care Plan for full-time AFSCME union employees. The City pays total monthly premiums of \$204.05 single major medical, \$491.10 family major medical, \$2.07 single eye care, \$4.67 family eye care, and \$26 dental insurance premiums. Effective March 1, 2005, City employees are required to pay \$25 single and \$35 family per month for major medical insurance making the total premium for major medical insurance \$229.05 for single coverage and \$526.10 for family coverage. These premiums are paid from the same funds that pay the employees' salaries.

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

***B. Compensated Absences***

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

Employees earn sick leave at the rate of 4.6 hours for every 80 hours worked for city employees and police officers, and at a rate of 6.44 hours for every 112 hours of service for firefighters. Sick leave accumulation is limited based on years of service and is paid upon retirement. As of December 31, 2005, the total liability for unpaid compensated absences was \$1,157,660.

**NOTE 15: CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years the City entered into capitalized leases for the acquisition of copy machines, a fire truck, and generators. All 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.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 15: CAPITALIZED LEASES - LESSEE DISCLOSURE (continued)**

The assets acquired by the leases have been capitalized in the governmental activities in the amount of \$888,745, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2005:

Governmental Activities	
2006	\$ 120,000
2007	112,121
2008	110,610
2009	109,781
2010	58,966
2011-2015	106,656
	618,134
Less amount representing interest	(83,469)
Present value of minimum lease payments	\$ 534,665

**NOTE 16: LONG-TERM OBLIGATIONS**

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
Downtown Improvement Bonds - 1990	6.1-7.25%	\$ 285,235	December 1, 2008
City Improvement Bonds - 2002	2.3-5.0	3,745,000	December 1, 2021
Park Improvement Bonds - 2002	3.6-5.5	1,270,000	December 1, 2008
Special Assessment Bonds - 1990	6.1-7.25	599,765	December 1, 2008
State Infrastructure Bank (ODOT) Loan			
Street Resurfacing	3.00	192,250	October 16, 2009
Tractor Loan - 2003	0.00	16,685	May 16, 2006
Tractor Loan - 2005	0.00	18,371	September 22, 2008
<b>Business-Type Activities</b>			
Ohio Public Works Commission - 1991	0.00	\$ 200,000	January 1, 2012
Ohio Public Works Commission - 2003	0.00	350,000	July 1, 2023
Ohio Public Works Commission - 2004	0.00	100,000	July 1, 2024
Ohio Water Development Water Authority - 2001	0.20	8,263,204	July 1, 2023
Ohio Water Development Water Authority - 2002	0.00	1,645,800	July 1, 2023
Ohio Water Development Water Authority - 2003	3.53	875,008	July 1, 2023
Ohio Water Development Water Authority - 2005	4.25	211,630	July 1, 2030

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

Changes in the long-term obligations of the City during 2005 were as follows:

	Amount			Amount Outstanding 12/31/2005	Amounts Due in One Year
	Outstanding 01/01/2005	Additions	(Reductions)		
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Downtown Improvement Bonds	\$ 93,472	\$ 0	\$ (20,930)	\$ 72,542	\$ 22,540
City Improvement Bonds	3,055,000	0	(255,000)	2,800,000	260,000
Park Improvements Bonds	770,000	0	(180,000)	590,000	190,000
<i>Total General Obligation Bonds</i>	<u>3,918,472</u>	<u>0</u>	<u>(455,930)</u>	<u>3,462,542</u>	<u>472,540</u>
Special Assessment Bond	196,528	0	(44,070)	152,458	47,460
State Infrastructure Bank (ODOT) Loan -					
Street Resurfacing	192,250	5,811	0	198,061	47,326
Tractor Loan	11,123	0	(5,562)	5,561	5,561
Tractor Loan	0	18,371	0	18,371	6,124
Capital Leases	625,438	0	(90,773)	534,665	98,633
Compensated Absences	899,306	25,364	0	924,670	69,169
Police and Fire Pension Payable	164,200	0	(2,713)	161,487	2,830
<i>Total Governmental Activities</i>	<u>\$ 6,007,317</u>	<u>\$ 49,546</u>	<u>\$ (599,048)</u>	<u>\$ 5,457,815</u>	<u>\$ 749,643</u>
<b>Business-Type Activities</b>					
<b>OPWC Loans</b>					
Ohio Public Works Commission - Sewer Repair	\$ 70,000	\$ 0	\$ (10,000)	\$ 60,000	\$ 10,000
Ohio Public Works Commission Loan - Clearwell					
Waste Water Treatment Plant Improvements	332,500	0	(17,500)	315,000	17,500
Ohio Public Works Commission Loan - Clearwell	25,926	74,074	(2,500)	97,500	5,000
<i>Total OPWC Loans</i>	<u>428,426</u>	<u>74,074</u>	<u>(30,000)</u>	<u>472,500</u>	<u>32,500</u>
<b>OWDA Loans</b>					
Ohio Water Development Authority Loan -					
Sewer Plant Expansion and Upgrade	7,778,119	54,783	(406,172)	7,426,730	406,985
Ohio Water Development Authority Loan -					
Bass Lake Project	1,563,510	0	(82,290)	1,481,220	82,290
Ohio Water Development Authority Loan -					
Waste Water Treatment Plant Improvements	780,993	58,818	(31,842)	807,969	32,976
Ohio Water Development Authority Loan - Sewer Loan	0	22,894	0	22,894	4,883
<i>Total OWDA Loans</i>	<u>10,122,622</u>	<u>136,495</u>	<u>(520,304)</u>	<u>9,738,813</u>	<u>527,134</u>
Compensated Absences	234,595	0	(1,604)	232,991	26,346
<i>Total Business-Type Activities</i>	<u>\$ 10,785,643</u>	<u>\$ 210,569</u>	<u>\$ (551,908)</u>	<u>\$ 10,444,304</u>	<u>\$ 585,980</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
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**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

The Ohio Public Works Commission (OPWC) loan and the Ohio Water Development Authority (OWDA) loan will be paid from charges for services revenue in the sewer fund. The general obligation bonds are being paid from property taxes and income tax. The special assessment bond will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The City is acting in an agent capacity for the property owners. The note payable will be paid from cable franchise fee revenue. Compensated absences reported in the "compensated absences payable" account and pension contribution reported in the "intergovernmental payable" account will both be paid from general operating revenues of the fund from which the employees' salaries are paid. Capital leases are paid from revenues of the general fund. The police and fire pension liability will be paid from taxes received in the police and fire pension special revenue fund.

The City's overall legal debt margin was \$16,525,861 at December 31, 2005.

In 2001, the City entered into an agreement with the Ohio Water Development Authority (OWDA) for a large sewer plant expansion and upgrade project. The total amount authorized for this loan was \$8,263,204, and as of December 31, 2005, the City had drawn \$8,229,699. The City began repaying the loan in 2004. The loan is not fully drawn down, therefore a final amortization schedule is not available.

In 2003, The City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$875,008. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2005, the City had drawn down \$870,558. Until the loan is fully drawn down, a final amortization schedule is not available.

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

In 2003, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$350,000. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2005, the City had drawn down the entire amount of the loan.

In 2004, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$100,000. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2005, the City had drawn down the entire amount of the loan.

In 2005, the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of \$211,630. The proceeds of this loan are being used for rehabilitation and replacement of deteriorated sanitary sewers. As of December 31, 2005, the City had drawn down \$22,894 of this loan. Until the loan is fully drawn down, a final amortization schedule is not available.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

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

Special assessment bonds are payable from the proceeds of assessments against the specific property owners who primarily benefited from the project. Special assessment monies will be received in and the debt will be retired from the downtown improvement debt service fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

During 2003, the City was awarded a loan from the State Infrastructure Bank, Ohio Department of Transportation (ODOT) in the amount of \$192,250. The proceeds of this loan are being used for street resurfacing. The loan has a 0 percent interest rate until 2005. In 2005 and future years, the interest rate is 3 percent. In 2005, interest in the amount of \$5,811 is accrued. The debt schedule reflects this accrued interest.

The City has a loan with an original balance of \$16,685 for a tractor to be used by the street department. his liability will be paid from the street maintenance and repair fund. The balance of the loan at December 31, 2005 was \$5,561.

In 2005, the City entered into a loan for a new tractor. Payments on the loan did not begin until 2006. The outstanding balance of the loan was \$18,371 at December 31, 2005. This liability will be paid from the general fund.

The police and fire pension liability will be paid from taxes receipted in the police and fire pension special revenue fund.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

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

	General Obligation Bonds		Special Assessment Bonds		Police and Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 472,562	\$ 158,708	\$ 47,438	\$ 11,055	\$ 2,830	\$ 6,835
2007	494,174	139,697	50,826	7,616	2,951	6,712
2008	510,806	118,479	54,194	3,931	3,078	6,585
2009	110,000	94,568	0	0	3,210	6,453
2010	120,000	89,947	0	0	3,348	6,315
2011-2015	695,000	364,260	0	0	19,025	29,290
2016-2020	865,000	182,348	0	0	23,478	24,838
2021-2025	195,000	9,750	0	0	28,972	19,344
2026-2030	0	0	0	0	35,752	12,564
2031-2035	0	0	0	0	38,843	4,207
2036-2038	0	0	0	0	0	0
	<u>\$ 3,462,542</u>	<u>\$ 1,157,757</u>	<u>\$ 152,458</u>	<u>\$ 22,602</u>	<u>\$ 161,487</u>	<u>\$ 123,143</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 16: LONG-TERM OBLIGATIONS (Continued)**

	Ohio Department of Transportation		Tractor Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 47,326	\$ 5,590	\$ 11,685	\$ 0	\$ 581,841	\$ 182,187
2007	48,756	4,159	6,124	0	602,831	158,184
2008	50,230	2,685	6,123	0	624,432	131,681
2009	51,749	1,167	0	0	164,959	102,188
2010	0	0	0	0	123,348	96,262
2011-2015	0	0	0	0	714,025	393,550
2016-2020	0	0	0	0	888,478	207,186
2021-2025	0	0	0	0	223,972	29,094
2026-2030	0	0	0	0	35,751	12,564
2031-2035	0	0	0	0	38,843	4,207
2036-2038	0	0	0	0		
	<u>\$ 198,061</u>	<u>\$ 13,601</u>	<u>\$ 23,932</u>	<u>\$ 0</u>	<u>\$ 3,998,480</u>	<u>\$ 1,317,103</u>

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

	Ohio Public Works Commission		Ohio Water Development Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 32,500	\$ 0	\$ 522,251	\$ 43,090	\$ 554,751	\$ 43,090
2007	32,500	0	524,240	41,102	556,740	41,102
2008	32,500	0	526,272	39,069	558,772	39,069
2009	32,500	0	528,349	36,992	560,849	36,992
2010	32,500	0	530,473	34,869	562,973	34,869
2011-2015	122,500	0	2,685,961	140,746	2,808,461	140,746
2016-2020	112,500	0	2,747,014	79,691	2,859,514	79,691
2021-2025	75,000	0	1,651,359	15,274	1,726,359	15,274
2026-2030	0	0	0	0	0	0
2031-2035	0	0	0	0	0	0
2036-2038	0	0	0	0	0	0
	<u>\$ 472,500</u>	<u>\$ 0</u>	<u>\$ 9,715,919</u>	<u>\$ 430,833</u>	<u>\$ 10,188,419</u>	<u>\$ 430,833</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
 December 31, 2005  
 (Continued)

**NOTE 17: INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2005, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>			
	<u>General</u>	<u>Economic Development</u>	<u>DRFI Revolving Loan</u>	<u>CDBG</u>
<b>Governmental Activities</b>				
Sidewalk Improvement	\$ 22,974	\$ 0	\$ 0	\$ 0
CDBG	20,000	1,959	25,941	0
<b>Business-Type Activities</b>				
Sewer	0	0	0	203,376
	<u>\$ 42,974</u>	<u>\$ 1,959</u>	<u>\$ 25,941</u>	<u>\$ 203,376</u>

The general fund transfers to the Sidewalk Improvement and CDBG funds were made to provide additional resources for current operations. The transfers from the Economic Development and DRFI Revolving Loan funds to the CDBG Fund were for the City's share of project expenses. The CDBG Fund paid for sewer line project costs and contributed the assets to the Sewer Fund. This transfer is required to be recorded as a capital contribution in the Sewer fund and a transfer out of the CDBG Fund.

**NOTE 18: CONTRACTUAL COMMITMENTS**

As of December 31, 2005, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2005</u>
D&H Way Construction-2004 CHIP-electrical renovation	\$ 5,355	\$ 0	\$ 5,355
Simpson Heating & Cooling-2004 CHIP-furnace work	2,375	0	2,375
Tuscon, Inc. - Airport Habilitation Surfacing	146,329	129,804	16,525
Tuscon, Inc. - FY04 Shelmar Estates Project (CDBG)	264,938	36,086	228,852
Civil Design - High Tech Park Engineering	432,055	251,275	180,780
Bitzel Excavating - CR21 Sanitary Sewer	572,479	489,258	83,221
United Survey - Mall Area CIP	166,252	94,903	71,349
WE Quicksall - FY2004 Grant Administration	12,200	10,614	1,586
WE Quicksall - FY04 Construction Administration	4,300	3,956	344
WE Quicksall - FY05 Grant Administration	10,000	5,000	5,000
WE Quicksall - Sanitary Sewer Design	10,750	7,754	2,996
RD Zande - FY03 airport improvements	110,430	97,848	12,582
RD Zande - FY04 airport improvements	30,500	18,437	12,063
Municipal Services - CHIP grant administration	105,500	60,290	45,210
Totals	<u>\$ 1,873,463</u>	<u>\$ 1,205,225</u>	<u>\$ 668,238</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 19: JOINTLY GOVERNED ORGANIZATIONS**

***A Community Improvement Corporation of Tuscarawas County***

The City is associated with the Community Improvement Corporation (“Corporation”) of Tuscarawas County as a Jointly Governed Organization. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenuhthen. It is controlled by 30 trustees consisting of the three County Commissioners, the mayor of each participating city or village and eighteen self-elected trustees. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the board. In 2005, no monies were paid by the City.

***B. Southeastern Ohio Narcotics Team (S.E.N.T.)***

The City is also associated with the Southeastern Ohio Narcotics Team (S.E.N.T.), as a Jointly Governed Organization. S.E.N.T. is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe and Tuscarawas counties. It is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25 percent. Of the 17 members, the City appoints one. Each member’s control over the operation of S.E.N.T. is limited to its representation on the board. In 2005, the City contributed \$5,117, which represents 16.94 percent of total contributions.

***C. Ohio Mid-Eastern Governments Association (OMEGA)***

The Ohio-Mid Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of New Philadelphia serves as the City’s representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2005, OMEGA received \$2,558 from the City of New Philadelphia for an annual fee. The continued existence of OMEGA is not dependent on the City’s continued participation and no equity interest exists. OMEGA has no outstanding debts.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
December 31, 2005  
(Continued)

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**NOTE 19: JOINTLY GOVERNED ORGANIZATIONS (Continued)**

***D. Tax Incentive Revenue Council (TIRC)***

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2005, no monies were paid by the City.

**NOTE 20: CONTINGENCIES**

***A. Grants***

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2005.

***B. Litigation***

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

**CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY**

FEDERAL AWARDS RECEIPTS AND EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grant Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed through Ohio Department of Development:</i>				
Community Development Block Grants	A-F-04-154-1	14.228	\$ 13,977	\$ 13,977
	A-F-03-154-1	14.228	<u>49,254</u>	<u>49,254</u>
<i>Total Community Development Block Grants</i>			63,231	63,231
HOME Investment Partnerships Program	A-C-04-154-2	14.239	337,773	314,396
	A-C-04-154-1	14.239	<u>68,200</u>	<u>60,290</u>
<i>Total HOME Investment Partnerships Program</i>			405,973	374,686
<b>Total U.S. Department of Housing and Urban Development</b>			<b>469,204</b>	<b>437,917</b>
<b>U.S. DEPARTMENT OF FEDERAL AVIATION ADMINISTRATION</b>				
<i>Direct:</i>				
Airport Improvement Program	3-39-0060-0403	20.106	22,877	22,877
	3-39-0060-0504	20.106	133,727	133,727
	3-39-0060-0605	20.106	<u>20,692</u>	<u>20,692</u>
<i>Total Airport Improvement Program</i>			177,296	177,296
<b>TOTAL</b>			<b><u>\$ 646,500</u></b>	<b><u>\$ 615,213</u></b>

The notes are an integral part of this schedule.

**CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – REVOLVING LOAN PROGRAM**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons, and to rehabilitate homes. The U.S. Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as an expenditure on the accompanying Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as expenditures on the Schedule.

These loans are collateralized by mortgages on the property and by promissory notes. In addition, all revolving loan funds are secured by personal guarantees, to the greatest extent possible. At December 31, 2005, there were no loans outstanding.



## **Auditor of State Betty Montgomery**

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

City of New Philadelphia  
Tuscarawas County  
150 East High Avenue  
Suite 19  
New Philadelphia, Ohio 44663

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the City's management dated July 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

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

In a separate letter to the City's management dated July 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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City of New Philadelphia  
Tuscarawas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

July 17, 2006



**Auditor of State  
Betty Montgomery**

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

City of New Philadelphia  
Tuscarawas County  
150 East High Avenue  
Suite 19  
New Philadelphia, Ohio 44663

To the Honorable Mayor and City Council:

**Compliance**

We have audited the compliance of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of New Philadelphia, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

In a separate letter to the City's management dated July 17, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

July 17, 2006

**CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Home Investments Partnership Program (HOME) CFDA #14.239
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**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.





**Auditor of State  
Betty Montgomery**

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**CITY OF NEW PHILADELPHIA**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 31, 2006**