



**Mary Taylor, CPA**  
Auditor of State



**CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY**

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CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of New Philadelphia  
Tuscarawas County  
150 East High Avenue  
New Philadelphia, Ohio 44683

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2008, 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, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and the Special Revenue Safety Forces Operation 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 September 14, 2009, 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.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 14, 2009

**City of New Philadelphia**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*

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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, 2008. 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 2008 are as follows:

- General revenues accounted for \$9,075,592 in revenue or 48.2 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$9,764,765 or 51.8 percent of total revenues of \$18,840,357.
- Total program expenses were \$17,901,798; \$12,555,037 in governmental activities and \$5,346,761 in business-type activities.
- In total, net assets increased \$938,559. Net assets of governmental activities increased \$107,772, which represents a .3 percent increase from 2007. Net assets of business-type activities increased \$830,787 or 5.3 percent from 2007.
- Outstanding debt decreased from \$11,828,581 to \$10,760,088 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 2008 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 Safety Forces Operation Fund are the most significant governmental funds. The Water, Sewer and Sanitation Funds are the significant enterprise funds.

**City of New Philadelphia**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2008*

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A question typically asked about the City's finances "How did we do financially during fiscal year 2008?" 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, Sewer and Sanitation Funds are reported as business-type activities.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund and the Safety Forces Operation 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 the Safety Forces Operation 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 (Continued)*  
For the Year Ended December 31, 2008

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

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

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

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

Table 1 provides a summary of the City's net assets for 2008 compared to 2007:

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

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
<b>Assets</b>						
Current and Other Assets	\$ 10,447,137	\$ 11,325,791	\$ 2,512,177	\$ 2,801,780	\$ 12,959,314	\$ 14,127,571
Capital Assets	26,379,704	26,322,430	23,558,318	23,163,249	49,938,022	49,485,679
<i>Total Assets</i>	<u>36,826,841</u>	<u>37,648,221</u>	<u>26,070,495</u>	<u>25,965,029</u>	<u>62,897,336</u>	<u>63,613,250</u>
<b>Liabilities</b>						
Long-Term Liabilities	3,152,692	3,393,049	9,138,312	9,481,770	12,291,004	12,874,819
Other Liabilities	2,003,006	2,691,801	368,814	750,677	2,371,820	3,442,478
<i>Total Liabilities</i>	<u>5,155,698</u>	<u>6,084,850</u>	<u>9,507,126</u>	<u>10,232,447</u>	<u>14,662,824</u>	<u>16,317,297</u>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of Debt	24,248,220	23,039,391	15,851,309	15,190,448	40,099,529	38,229,839
Restricted	3,848,048	2,807,840	0	0	3,848,048	2,807,840
Unrestricted	3,574,875	5,716,140	712,060	542,134	4,286,935	6,258,274
<i>Total Net Assets</i>	<u>\$ 31,671,143</u>	<u>\$ 31,563,371</u>	<u>\$ 16,563,369</u>	<u>\$ 15,732,582</u>	<u>\$ 48,234,512</u>	<u>\$ 47,295,953</u>

Total assets decreased by \$715,914 with governmental assets decreasing \$821,380 and business-type assets increasing \$105,466. An increase of \$452,343 in total capital assets reflects additions exceeding depreciation expense. Total liabilities decreased by \$1,654,473 with governmental liabilities decreasing \$929,152 and business-type liabilities decreasing \$725,321. The majority of this decrease was the result of principal payments on debt and a reduction in deferred revenue from 2007 to 2008.

**City of New Philadelphia**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2008

Total net assets increased by \$938,559. This number reflects an increase of \$107,772 in governmental activities and an increase of \$830,787 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal year 2008 and 2007. 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	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,105,232	\$ 2,854,287	\$ 4,913,941	\$ 3,861,146	\$ 7,019,173	\$ 6,715,433
Operating Grants	1,322,159	1,097,067	211,620	0	1,533,779	1,097,067
Capital Grants	1,211,813	2,293,940	0	0	1,211,813	2,293,940
<i>General Revenues:</i>						
Property Taxes	1,118,802	1,814,322	366,923	0	1,485,725	1,814,322
Income Taxes	5,881,443	7,165,215	0	0	5,881,443	7,165,215
Grants and Entitlements	1,290,565	1,627,192	0	0	1,290,565	1,627,192
Unrestricted Contributions	17,075	0	0	0	17,075	0
Investment Earnings	190,345	378,341	0	0	190,345	378,341
Other	112,940	141,372	97,499	54,144	210,439	195,516
<b>Total Revenues</b>	<b>13,250,374</b>	<b>17,371,736</b>	<b>5,589,983</b>	<b>3,915,290</b>	<b>18,840,357</b>	<b>21,287,026</b>
<b>Program Expenses</b>						
General Government	3,586,329	3,644,560	0	0	3,586,329	3,644,560
Security of Persons and Property	4,565,487	4,189,089	0	0	4,565,487	4,189,089
Transportation	2,263,294	2,141,831	0	0	2,263,294	2,141,831
Public Health Services	700,277	582,184	0	0	700,277	582,184
Community and Economic Development	380,874	551,363	0	0	380,874	551,363
Basic Utility Services	0	1,217,526	0	0	0	1,217,526
Leisure Time Activities	939,609	929,185	0	0	939,609	929,185
Interest and Fiscal Charges	119,167	143,833	0	0	119,167	143,833
<i>Enterprise Operations:</i>						
Water	0	0	2,282,918	2,264,036	2,282,918	2,264,036
Sewer	0	0	1,751,047	1,498,797	1,751,047	1,498,797
Sanitation	0	0	1,312,796	0	1,312,796	0
<b>Total Program Expenses</b>	<b>12,555,037</b>	<b>13,399,571</b>	<b>5,346,761</b>	<b>3,762,833</b>	<b>17,901,798</b>	<b>17,162,404</b>
<b>Increase in Net Assets</b>	<b>695,337</b>	<b>3,972,165</b>	<b>243,222</b>	<b>152,457</b>	<b>938,559</b>	<b>4,124,622</b>
Transfers	(587,565)	0	587,565	0	0	0
<b>Increase in Net Assets</b>	<b>\$ 107,772</b>	<b>\$ 3,972,165</b>	<b>\$ 830,787</b>	<b>\$ 152,457</b>	<b>\$ 938,559</b>	<b>\$ 4,124,622</b>

**City of New Philadelphia**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2008*

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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. The combination of property tax, income tax, and intergovernmental fund all expenses in the governmental activities. The City monitors its source of revenues very closely for fluctuations.

General government represents the second largest expense of the governmental activities. This expense of \$3,586,329 represents 28.6 percent of the total expenses.

Police and fire (security of persons and property) represent the largest expense of the governmental activities. This expense of \$4,565,487 represents 36.4 percent of the total expenses. These two departments operate out of the General Fund and Safety Forces Fund.

The City also maintains a cemetery (public health services) and a park (leisure time services) within the City. These areas had expenses of \$1,639,886 in 2008 equaling 13.1 percent of the total governmental services expenses.

**Business-Type Activities**

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2008, charges for services of \$4,913,941 accounted for 87.9 percent of the business-type revenues. The total expenses for the utilities were \$5,346,761. The City had an increase in net assets of \$830,787 for the business-type activities. The sanitation fund, which was presented as a governmental activity in 2007, was included as a business-type activity in 2008.

***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 (including other financing sources) of \$13,837,914 and expenditures (including other financing uses) of \$13,755,123.

The City's general fund balance decreased by \$118,644 and the safety forces operation fund balance decreased by \$353,005. These decreases in fund balances can be attributed to expenditures increasing faster than revenues. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 18. These funds are accounted for on an accrual basis. All business-type funds had operating expenses of \$5,300,324 which were more than operating revenues of \$5,011,440, by \$288,884 or 5.8 percent of operating revenues.

**City of New Philadelphia**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2008

**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 2008, the City amended its General Fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the General Fund, actual receipts and other financing sources of \$5,669,165 exceeded the final budgeted revenues and other financing sources of \$5,444,700 by \$224,465. The primary factor contributing to this was that a capital lease inception was not included in the final budget.

Actual disbursements and other financing uses of the General Fund of \$5,772,127 were \$916,414 below the final budgeted amount of \$6,688,541. The primary factor contributing to this was disbursements for general government, security of persons and property, capital outlay and transfers being \$869,048 below budgeted amounts.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2008, the City had \$49,938,022 invested in land, construction in progress, buildings, improvements, equipment, infrastructure and vehicles. A total of \$26,379,704 of this was for governmental activities with the remainder of \$23,558,318 being attributable to business-type activities. Table 3 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
Land	\$ 816,583	\$ 816,583	\$ 51,892	\$ 51,892	\$ 868,475	\$ 868,475
Buildings and Building Improvements	4,160,984	4,315,575	4,976,991	5,085,801	9,137,975	9,401,376
Improvements Other Than Buildings	3,379,113	3,505,886	5,563,028	5,613,305	8,942,141	9,119,191
Machinery and Equipment	809,061	900,224	706,621	781,690	1,515,682	1,681,914
Furniture and Fixtures	23,082	25,315	1,028	1,028	24,110	26,343
Vehicles	1,101,963	893,215	647,800	281,370	1,749,763	1,174,585
Construction in Progress	163,827	372,874	0	1,441,500	163,827	1,814,374
Infrastructure	15,925,091	15,492,758	0	0	15,925,091	15,492,758
Water Lines	0	0	7,835,414	6,162,271	7,835,414	6,162,271
Sewer Lines	0	0	3,775,544	3,744,392	3,775,544	3,744,392
<b>Totals</b>	<b>\$ 26,379,704</b>	<b>\$ 26,322,430</b>	<b>\$ 23,558,318</b>	<b>\$ 23,163,249</b>	<b>\$ 49,938,022</b>	<b>\$ 49,485,679</b>

**City of New Philadelphia**  
*Management's Discussion and Analysis (Continued)*  
For the Year Ended December 31, 2008

The \$452,343 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 9 provides capital asset activity during 2008.

**Debt**

The outstanding debt for the City of New Philadelphia as of December 31, 2008 was \$10,760,088 with \$680,428 due within one year. Table 4 summarizes outstanding debt.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 1,985,000	\$ 2,495,822	\$ 0	\$ 0	\$ 1,985,000	\$ 2,495,822
Special Assessment Bonds	0	54,178	0	0	0	54,178
OPWC Loans	0	0	435,591	407,500	435,591	407,500
OWDA Loans	0	0	8,339,497	8,871,081	8,339,497	8,871,081
<i>Total</i>	<u>\$ 1,985,000</u>	<u>\$ 2,550,000</u>	<u>\$ 8,775,088</u>	<u>\$ 9,278,581</u>	<u>\$ 10,760,088</u>	<u>\$ 11,828,581</u>

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

The special assessment bonds consisted of various construction projects, various sidewalk and other improvements. The principal and interest for these bonds were paid from the collection of special assessments by the County Auditor from the specific property owners who primarily benefited from the projects. These bonds were paid off during 2008.

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

**City of New Philadelphia**  
*Management's Discussion and Analysis (Continued)*  
*For the Year Ended December 31, 2008*

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***Current Financial Issues***

2008 was a year of mixed financial results for the City of New Philadelphia. Revenue for the city was approximately \$700,000 less than 2007 but our carryover total was only \$140,000 less than 2007. This indicates that spending was looked at more closely and held in check for 2008. The city did experience a large drop in interest revenue in 2008 from what previous years had provided. Fortunately, this revenue source is only a small portion of the total revenue upon which the city operates.

The new High Tech Park was completed in 2008 and plans were finalized for the construction of the first building. This building will be the Tolloty Incubator building and will be owned by the local CIC which owns the Tech Park. This building is being built with grant funds through the Ohio Department of Development. Construction should begin in 2009. The other sites in the Tech Park are ready and available for purchase. It is hoped that once some are sold and built on, that this will create further interest in this location.

Although the city began to feel the effects of the economic downturn in late 2008, there were the initial plans for new jobs coming to New Philadelphia. The Lewis medical center being built for lease by Mercy Medical of Canton, Ohio was nearing completion in 2008. Also, a local company in Dover was looking at relocation to a vacant building in New Philadelphia. In addition, Beech Engineering, a division of Miller Studio headquartered in New Philadelphia and with operations in nine states, purchased a local empty building and expanded their operations while planning on increasing employment. The city was very fortunate to have a commercial building go vacant and then be purchased and occupied by a new owner in a period of months.

In 2008, the city began the process of trying to replace old and outdated equipment. A street sweeper was leased with the option to purchase replacing a 1989 model that could no longer perform at the level needed for a city our size. Also, the city leased with the option to purchase a new sewer jetter truck to upgrade a 1993 model. The city was very pleased to acquire both of these units which were both actually manufactured in New Philadelphia by the Gradall Company. It was a great opportunity to support our local business. In addition, several other vehicles were purchased including a new sanitation truck and a new dump truck. Replacing old vehicles and equipment is necessary to be able to operate and serve the citizens properly. This replacement and upgrade of vehicles and equipment will continue as revenue allows.

At the end of 2008, the Service Director made recommendations to city council for increases in water, sewer and sanitation/recycling rates. The recommendations were made in conjunction with projections received from a performance audit from the Auditor of State's performance audit team. As of year-end, no decisions had been reached by council regarding these increases.

***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, 2008

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,073,471	\$ 1,533,316	\$ 6,606,787
Cash and Cash Equivalents in Segregated Accounts	93,580	0	93,580
Accounts Receivable	226,095	596,182	822,277
Intergovernmental Receivable	2,099,319	22,706	2,122,025
Taxes Receivable	2,761,700	0	2,761,700
Materials and Supplies Inventory	192,972	359,973	552,945
Non-Depreciable Capital Assets	980,410	51,892	1,032,302
Depreciable Capital Assets, Net	25,399,294	23,506,426	48,905,720
<i>Total Assets</i>	<u>36,826,841</u>	<u>26,070,495</u>	<u>62,897,336</u>
<b>Liabilities</b>			
Accounts Payable	164,053	105,475	269,528
Accrued Wages	254,775	82,318	337,093
Contracts Payable	82,165	0	82,165
Intergovernmental Payable	390,848	87,948	478,796
Undistributed Monies	794	0	794
Accrued Interest Payable	7,881	22,930	30,811
Deferred Revenue	977,128	0	977,128
Accrued Vacation Leave Payable	105,871	65,064	170,935
Matured Compensated Absences Payable	19,491	5,079	24,570
Long-Term Liabilities:			
Due Within One Year	371,458	648,038	1,019,496
Due in More Than One Year	2,781,234	8,490,274	11,271,508
<i>Total Liabilities</i>	<u>5,155,698</u>	<u>9,507,126</u>	<u>14,662,824</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	24,248,220	15,851,309	40,099,529
Restricted for Debt Service	91,525	0	91,525
Restricted for Capital Outlay	2,367,799	0	2,367,799
Restricted for Other Purposes	1,388,724	0	1,388,724
Unrestricted	3,574,875	712,060	4,286,935
<i>Total Net Assets</i>	<u>\$ 31,671,143</u>	<u>\$ 16,563,369</u>	<u>\$ 48,234,512</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Statement of Activities*  
For the Year Ended December 31, 2008

	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	\$ 3,586,329	\$ 1,026,065	\$ 0	\$ 0	\$ (2,560,264)	\$ 0	\$ (2,560,264)
Security of Persons and Property	4,565,487	449,331	53,448	75	(4,062,633)	0	(4,062,633)
Public Health	700,277	187,716	0	0	(512,561)	0	(512,561)
Leisure Time Services	939,609	97,378	0	12,000	(830,231)	0	(830,231)
Community and Economic Development	380,874	131,802	497,125	1,167,438	1,415,491	0	1,415,491
Transportation	2,263,294	212,940	771,586	32,300	(1,246,468)	0	(1,246,468)
Interest and Fiscal Charges	119,167	0	0	0	(119,167)	0	(119,167)
<i>Total Governmental Activities</i>	<u>12,555,037</u>	<u>2,105,232</u>	<u>1,322,159</u>	<u>1,211,813</u>	<u>(7,915,833)</u>	<u>0</u>	<u>(7,915,833)</u>
<b>Business-Type Activities</b>							
Sanitation	1,312,796	961,326	161,463	0	0	(190,007)	(190,007)
Water	2,282,918	2,097,604	40,000	0	0	(145,314)	(145,314)
Sewer	1,751,047	1,855,011	10,157	0	0	114,121	114,121
<i>Total Business-Type Activities</i>	<u>5,346,761</u>	<u>4,913,941</u>	<u>211,620</u>	<u>0</u>	<u>0</u>	<u>(221,200)</u>	<u>(221,200)</u>
<i>Total - Primary Government</i>	<u>\$ 17,901,798</u>	<u>\$ 7,019,173</u>	<u>\$ 1,533,779</u>	<u>\$ 1,211,813</u>	<u>(7,915,833)</u>	<u>(221,200)</u>	<u>(8,137,033)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
					941,315	0	941,315
					177,487	366,923	544,410
Income Taxes Levied for:							
					4,080,049	0	4,080,049
					1,801,394	0	1,801,394
					1,290,565	0	1,290,565
					17,075	0	17,075
					190,345	0	190,345
					112,940	97,499	210,439
<i>Total General Revenues</i>					<u>8,611,170</u>	<u>464,422</u>	<u>9,075,592</u>
Transfers					(587,565)	587,565	0
<i>Total General Revenues and Transfers</i>					<u>8,023,605</u>	<u>1,051,987</u>	<u>9,075,592</u>
<i>Change in Net Assets</i>					107,772	830,787	938,559
<i>Net Assets Beginning of Year (Restated, See Note 4)</i>					<u>31,563,371</u>	<u>15,732,582</u>	<u>47,295,953</u>
<i>Net Assets End of Year</i>					<u>\$ 31,671,143</u>	<u>\$ 16,563,369</u>	<u>\$ 48,234,512</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2008*

	General	Safety Forces Operation	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,196,832	\$ 423,373	\$ 2,453,266	\$ 5,073,471
Cash and Cash Equivalents in Segregated Accounts	0	0	93,580	93,580
Accounts Receivable	30,274	0	195,821	226,095
Intergovernmental Receivable	568,790	0	1,530,529	2,099,319
Taxes Receivable	1,326,649	588,983	846,068	2,761,700
Materials and Supplies Inventory	73,519	0	119,453	192,972
<i>Total Assets</i>	<u>\$ 4,196,064</u>	<u>\$ 1,012,356</u>	<u>\$ 5,238,717</u>	<u>\$ 10,447,137</u>
<b>Liabilities</b>				
Accounts Payable	39,470	3,803	120,780	164,053
Accrued Wages	89,596	123,166	42,013	254,775
Contracts Payable	7,160	0	75,005	82,165
Intergovernmental Payable	149,245	199,510	42,093	390,848
Undistributed Monies	0	0	794	794
Deferred Revenue	1,415,987	176,555	1,599,912	3,192,454
Matured Compensated Absences Payable	0	17,746	1,745	19,491
<i>Total Liabilities</i>	<u>1,701,458</u>	<u>520,780</u>	<u>1,882,342</u>	<u>4,104,580</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	88,885	4,824	270,118	363,827
Reserved for Unclaimed Monies	29,087	0	0	29,087
Unreserved, Undesignated, Reported in:				
General Fund	2,376,634	0	0	2,376,634
Special Revenue Funds	0	486,752	1,584,338	2,071,090
Debt Service Funds	0	0	88,421	88,421
Capital Projects Funds	0	0	995,339	995,339
Permanent Funds	0	0	418,159	418,159
<i>Total Fund Balances</i>	<u>2,494,606</u>	<u>491,576</u>	<u>3,356,375</u>	<u>6,342,557</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,196,064</u>	<u>\$ 1,012,356</u>	<u>\$ 5,238,717</u>	<u>\$ 10,447,137</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2008*

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**Total Governmental Fund Balances** \$ 6,342,557

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 26,379,704

Other long-term assets are not available to pay for current-  
 period expenditures and therefore are deferred in the funds:

Property Taxes	\$ 42,570
Income Tax	507,131
Intergovernmental	1,633,093
Charges for Services	<u>32,532</u>

Total 2,215,326

Accrued interest payable is not due and payable in the current  
 period and therefore is not reported in the funds. (7,881)

Long-term liabilities are not due and payable in the current  
 period and therefore are not reported in the funds:

General Obligation Bonds	(1,985,000)
Capital Leases	(146,484)
Accrued Vacation Leave Payable	(105,871)
Compensated Absences	<u>(1,021,208)</u>

Total (3,258,563)

*Net Assets of Governmental Activities* \$ 31,671,143

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Safety Forces Operation	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 977,909	\$ 0	\$ 184,349	\$ 1,162,258
Income Taxes	1,986,763	2,152,338	2,280,591	6,419,692
Special Assessments	2,577	0	60,360	62,937
Charges for Services	37,504	0	718,295	755,799
Licenses and Permits	5,429	0	260,298	265,727
Fines and Forfeitures	352,426	0	625,109	977,535
Intergovernmental	1,631,093	0	1,809,430	3,440,523
Interest	171,403	0	18,942	190,345
Rent	106,320	0	13,173	119,493
Contributions and Donations	12,075	0	5,000	17,075
Other	46,070	0	66,870	112,940
<i>Total Revenues</i>	<u>5,329,569</u>	<u>2,152,338</u>	<u>6,042,417</u>	<u>13,524,324</u>
<b>Expenditures</b>				
Current:				
General Government	2,632,137	0	805,421	3,437,558
Security of Persons and Property	1,270,764	2,489,023	561,211	4,320,998
Public Health	247,894	0	384,358	632,252
Leisure Time Services	674,756	0	0	674,756
Community and Economic Development	0	0	254,734	254,734
Transportation	38,802	0	1,484,433	1,523,235
Capital Outlay	638,834	16,320	1,411,306	2,066,460
Debt Service:				
Principal Retirement	40,985	0	565,000	605,985
Interest and Fiscal Charges	0	0	121,488	121,488
<i>Total Expenditures</i>	<u>5,544,172</u>	<u>2,505,343</u>	<u>5,587,951</u>	<u>13,637,466</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(214,603)</u>	<u>(353,005)</u>	<u>454,466</u>	<u>(113,142)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	117,657	117,657
Inception of Capital Lease	187,469	0	0	187,469
Proceeds from Sale of Capital Assets	6,064	0	2,400	8,464
Transfers Out	(97,574)	0	(20,083)	(117,657)
<i>Total Other Financing Sources (Uses)</i>	<u>95,959</u>	<u>0</u>	<u>99,974</u>	<u>195,933</u>
<i>Net Change in Fund Balance</i>	<u>(118,644)</u>	<u>(353,005)</u>	<u>554,440</u>	<u>82,791</u>
<i>Fund Balance Beginning of Year (Restated, See Note 4)</i>	<u>2,613,250</u>	<u>844,581</u>	<u>2,801,935</u>	<u>6,259,766</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,494,606</u>	<u>\$ 491,576</u>	<u>\$ 3,356,375</u>	<u>\$ 6,342,557</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2008*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	82,791
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	\$ 1,444,104	
Current Year Depreciation	<u>(1,238,446)</u>	
Total		205,658
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.		
		(148,384)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(43,456)	
Income Tax	(538,249)	
Intergovernmental	384,014	
Charges for Services	(21,366)	
Special Assessments	<u>(54,893)</u>	
Total		(273,950)
Repayment of bond principal and capital lease principal payments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		605,985
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		2,321
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.		
Inception of Capital Lease		(187,469)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable	(1,021)	
Compensated Absences	<u>(178,159)</u>	
Total		<u>(179,180)</u>
<i>Change in Net Assets of Governmental Activities</i>	\$	<u><u>107,772</u></u>

**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, 2008*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$ 1,088,988	\$ 981,500	\$ 977,909	\$ (3,591)
Income Taxes	1,978,700	2,205,000	2,146,161	(58,839)
Special Assessments	0	0	2,577	2,577
Charges for Services	18,100	27,100	37,504	10,404
Licenses and Permits	5,000	5,000	5,429	429
Fines and Forfeitures	345,700	339,200	350,538	11,338
Intergovernmental	1,269,652	1,550,740	1,616,565	65,825
Interest	250,000	175,000	171,403	(3,597)
Rent	100,000	100,000	107,376	7,376
Contributions and Donations	3,730	5,230	12,075	6,845
Other	67,630	55,930	48,095	(7,835)
<i>Total Revenues</i>	<u>5,127,500</u>	<u>5,444,700</u>	<u>5,475,632</u>	<u>30,932</u>
<b>Expenditures</b>				
Current:				
General Government	2,845,836	2,991,780	2,701,553	290,227
Security of Persons and Property	1,636,597	1,646,797	1,282,038	364,759
Public Health	235,841	255,841	233,163	22,678
Leisure Time Services	663,606	691,607	677,622	13,985
Transportation	54,150	54,150	43,662	10,488
Capital Outlay	602,965	792,166	695,530	96,636
Debt Service:				
Principal Retirements	38,000	41,200	40,985	215
<i>Total Expenditures</i>	<u>6,076,995</u>	<u>6,473,541</u>	<u>5,674,553</u>	<u>798,988</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(949,495)</u>	<u>(1,028,841)</u>	<u>(198,921)</u>	<u>829,920</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	6,064	6,064
Inception of Capital Lease	0	0	187,469	187,469
Transfers Out	(215,000)	(215,000)	(97,574)	117,426
<i>Total Other Financing Sources (Uses)</i>	<u>(215,000)</u>	<u>(215,000)</u>	<u>95,959</u>	<u>310,959</u>
<i>Net Change in Fund Balance</i>	<u>(1,164,495)</u>	<u>(1,243,841)</u>	<u>(102,962)</u>	<u>1,140,879</u>
<i>Fund Balance Beginning of Year</i>	2,034,835	2,034,835	2,034,835	0
Prior Year Encumbrances Appropriated	136,357	136,357	136,357	0
<i>Fund Balance End of Year</i>	<u>\$ 1,006,697</u>	<u>\$ 927,351</u>	<u>\$ 2,068,230</u>	<u>\$ 1,140,879</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Safety Forces Operation Fund*  
*For the Year Ended December 31, 2008*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Income Taxes	<u>\$ 2,200,000</u>	<u>\$ 2,100,000</u>	<u>\$ 2,201,222</u>	<u>\$ 101,222</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,394,354	2,394,354	2,285,125	109,229
Capital Outlay	<u>18,820</u>	<u>18,820</u>	<u>16,320</u>	<u>2,500</u>
<i>Total Expenditures</i>	<u>2,413,174</u>	<u>2,413,174</u>	<u>2,301,445</u>	<u>111,729</u>
<i>Net Change in Fund Balance</i>	(213,174)	(313,174)	(100,223)	212,951
<i>Fund Balance Beginning of Year</i>	492,613	492,613	492,613	0
Prior Year Encumbrances Appropriated	<u>22,627</u>	<u>22,627</u>	<u>22,627</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 302,066</u></u>	<u><u>\$ 202,066</u></u>	<u><u>\$ 415,017</u></u>	<u><u>\$ 212,951</u></u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2008*

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 520,758	\$ 440,997	\$ 571,561	\$ 1,533,316
Accounts Receivable	302,355	291,852	1,975	596,182
Intergovernmental Receivable	0	0	22,706	22,706
Materials and Supplies Inventory	337,061	19,283	3,629	359,973
<i>Total Current Assets</i>	<u>1,160,174</u>	<u>752,132</u>	<u>599,871</u>	<u>2,512,177</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	6,845	35,054	9,993	51,892
Depreciable Capital Assets, Net	10,933,470	12,220,867	352,089	23,506,426
<i>Total Non-Current Assets</i>	<u>10,940,315</u>	<u>12,255,921</u>	<u>362,082</u>	<u>23,558,318</u>
<i>Total Assets</i>	<u>12,100,489</u>	<u>13,008,053</u>	<u>961,953</u>	<u>26,070,495</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	59,220	16,115	30,140	105,475
Accrued Wages	37,109	24,500	20,709	82,318
Intergovernmental Payable	37,846	26,524	23,578	87,948
Matured Compensated Absences Payable	1,379	3,700	0	5,079
Accrued Interest Payable	0	22,930	0	22,930
Accrued Vacation Leave Payable	31,074	21,155	12,835	65,064
Compensated Absences Payable	10,757	6,202	7,059	24,018
Capital Leases Payable	0	53,592	0	53,592
OPWC Loans Payable	5,000	31,540	0	36,540
OWDA Loans Payable	0	533,888	0	533,888
<i>Total Current Liabilities</i>	<u>182,385</u>	<u>740,146</u>	<u>94,321</u>	<u>1,016,852</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	96,555	42,670	33,710	172,935
Capital Leases Payable - Net of Current Portion	0	112,679	0	112,679
OPWC Loans Payable - Net of Current Portion	77,500	321,551	0	399,051
OWDA Loans Payable - Net of Current Portion	0	7,805,609	0	7,805,609
<i>Total Long-Term Liabilities</i>	<u>174,055</u>	<u>8,282,509</u>	<u>33,710</u>	<u>8,490,274</u>
<i>Total Liabilities</i>	<u>356,440</u>	<u>9,022,655</u>	<u>128,031</u>	<u>9,507,126</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	10,857,815	4,631,412	362,082	15,851,309
Unrestricted	886,234	(646,014)	471,840	712,060
<i>Total Net Assets</i>	<u>\$ 11,744,049</u>	<u>\$ 3,985,398</u>	<u>\$ 833,922</u>	<u>\$ 16,563,369</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2008*

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
<b>Operating Revenues</b>				
Charges for Services	\$ 2,078,210	\$ 1,845,411	\$ 961,326	\$ 4,884,947
Tap-In Fees	19,394	9,600	0	28,994
Other	50,981	142	46,376	97,499
<i>Total Operating Revenues</i>	<u>2,148,585</u>	<u>1,855,153</u>	<u>1,007,702</u>	<u>5,011,440</u>
<b>Operating Expenses</b>				
Salaries and Wages	720,582	511,350	531,234	1,763,166
Fringe Benefits	337,914	248,906	206,070	792,890
Contractual Services	459,107	314,756	489,378	1,263,241
Materials and Supplies	280,447	132,023	83,206	495,676
Depreciation	464,868	477,575	42,908	985,351
<i>Total Operating Expenses</i>	<u>2,262,918</u>	<u>1,684,610</u>	<u>1,352,796</u>	<u>5,300,324</u>
<i>Operating Income (Loss)</i>	<u>(114,333)</u>	<u>170,543</u>	<u>(345,094)</u>	<u>(288,884)</u>
<b>Non-Operating Revenues (Expense)</b>				
Intergovernmental	40,000	10,157	161,463	211,620
Property Taxes	0	0	366,923	366,923
Interest and Fiscal Charges	0	(46,437)	0	(46,437)
<i>Total Non-Operating Revenues (Expense)</i>	<u>40,000</u>	<u>(36,280)</u>	<u>528,386</u>	<u>532,106</u>
<i>Income (Loss) Before Contributions</i>	<u>(74,333)</u>	<u>134,263</u>	<u>183,292</u>	<u>243,222</u>
Capital Contributions	431,909	155,656	0	587,565
<i>Change in Net Assets</i>	<u>357,576</u>	<u>289,919</u>	<u>183,292</u>	<u>830,787</u>
<i>Net Assets Beginning of Year - Restated (See Note 4)</i>	<u>11,386,473</u>	<u>3,695,479</u>	<u>650,630</u>	<u>15,732,582</u>
<i>Net Assets End of Year</i>	<u>\$ 11,744,049</u>	<u>\$ 3,985,398</u>	<u>\$ 833,922</u>	<u>\$ 16,563,369</u>

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2008

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,099,746	\$ 1,840,588	\$ 961,326	\$ 4,901,660
Other Operating Receipts	51,020	142	47,000	98,162
Cash Payments to Suppliers for Goods and Services	(329,314)	(134,367)	(100,574)	(564,255)
Cash Payments to Employees	(1,061,407)	(771,143)	(739,755)	(2,572,305)
Cash Payments for Contractual Services	(438,466)	(309,263)	(492,515)	(1,240,244)
<i>Net Cash Provided by(Used For) Operating Activities</i>	<u>321,579</u>	<u>625,957</u>	<u>(324,518)</u>	<u>623,018</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Intergovernmental Revenue	40,000	10,157	173,585	223,742
Property Taxes	0	0	400,496	400,496
Principal Payments on Debt	0	(82,290)	0	(82,290)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>40,000</u>	<u>(72,133)</u>	<u>574,081</u>	<u>541,948</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from OPWC Loans	0	60,591	0	60,591
Inception of Capital Lease	0	225,483	0	225,483
Acquisition of Capital Assets	(342,392)	(346,889)	(115,317)	(804,598)
Disposal of Capital Assets	883	0	0	883
Principal Payments on Debt	(5,000)	(536,006)	0	(541,006)
Interest Payments on Debt	0	(47,583)	0	(47,583)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(346,509)</u>	<u>(644,404)</u>	<u>(115,317)</u>	<u>(1,106,230)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	15,070	(90,580)	134,246	58,736
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>505,688</u>	<u>531,577</u>	<u>437,315</u>	<u>1,474,580</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 520,758</u>	<u>\$ 440,997</u>	<u>\$ 571,561</u>	<u>\$ 1,533,316</u>

(Continued)

**City of New Philadelphia**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2008

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ (114,333)	\$ 170,543	\$ (345,094)	(288,884)
Adjustments:				
Depreciation	464,868	477,575	42,908	985,351
(Increase) Decrease in Assets:				
Accounts Receivable	2,866	(14,423)	624	(10,933)
Materials and Supplies Inventory	(28,069)	(2,237)	642	(29,664)
Increase (Decrease) in Liabilities:				
Accounts Payable	(842)	5,386	(21,147)	(16,603)
Accrued Wages	8,612	2,578	2,619	13,809
Accrued Vacation Leave Payable	(6,058)	3,367	874	(1,817)
Compensated Absences Payable	4,664	(7,314)	1,493	(1,157)
Intergovernmental Payable	(10,129)	(9,518)	(7,437)	(27,084)
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 321,579</u>	<u>\$ 625,957</u>	<u>\$ (324,518)</u>	<u>\$ 623,018</u>

**Noncash Capital Financing Activities:**

During 2008, capital assets were donated by governmental activities to the water and sewer enterprise funds in the amount of \$431,909 and \$155,656 respectively.

See accompanying notes to the basic financial statements.

**City of New Philadelphia**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2008*

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	<u>Agency Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 99,358
Cash and Cash Equivalents in Segregated Accounts	180,428
Accounts Receivable	<u>2,039</u>
<i>Total Assets</i>	<u>\$ 281,825</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 281,825</u>

See accompanying notes to the basic financial statements.

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**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements*  
*December 31, 2008*

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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 18). These organizations are:

Community Improvement Corporation of Tuscarawas County  
Southeastern Ohio Narcotics Team (SENT)  
Ohio Mid-Eastern Governments Association (OMEGA)  
Tax Incentive Review Council (TIRC)

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
December 31, 2008

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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 (Continued)*  
*December 31, 2008*

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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.

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

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

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

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

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

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

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

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

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

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
December 31, 2008

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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

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

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

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

During 2008, investments were limited to STAROhio, (the State Treasury Asset Reserve of Ohio), certificates of deposit and money market accounts.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$171,403, which includes \$116,822 assigned from other City funds.

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

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

***F. Materials and Supplies Inventory***

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

***G. Capital Assets***

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

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

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

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

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

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

***H. Compensated Absences***

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

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
December 31, 2008

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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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the government fund financial statements when due.

***J. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2008, \$128,132 of the City's net assets were restricted by enabling legislation.

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

***K. Fund Balance Reserves***

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

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

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

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

***M. Contributions of Capital***

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

***N. Interfund Activity***

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

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

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

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

***P. Estimates***

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

***Q. Budgetary Data***

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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

***R. Implementation of New Accounting Policies***

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers.

GASB Statement No. 49 provides guidance on calculating and reporting the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

The implementation of GASB Statement No. 45, No. 49, and No. 50 did not affect the presentation of the financial statements of the City.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	General	Safety Forces Operation
GAAP Basis	\$ (118,644)	\$ (353,005)
Revenue accruals	146,063	48,884
Expenditure accruals	(3,185)	212,255
Encumbrances	(127,196)	(8,357)
Budget Basis	\$ (102,962)	\$ (100,223)

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 4: RESTATEMENT OF FUND BALANCE/NET ASSETS**

During 2008 the City started charging customers for sanitation services. It has been determined this fund should be reflected as an enterprise fund instead of a governmental fund. Beginning net assets and fund balances have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Previously Reported Net Assets at 12/31/07	\$ 32,214,001	\$ 15,081,952
Reclassification of Sanitation Fund to Business-Type		
Equity in Pooled Cash and Cash Equivalents	(437,315)	437,315
Materials and Supplies Inventory	(4,271)	4,271
Accounts Receivable	(2,599)	2,599
Intergovernmental Receivable	(34,828)	34,828
Taxes Receivable	(376,814)	376,814
Capital Assets	(289,673)	289,673
Accounts Payable	51,287	(51,287)
Accrued Wages	18,090	(18,090)
Intergovernmental Payable	31,015	(31,015)
Accrued Vacation Leave Payable	11,961	(11,961)
Deferred Revenue	343,241	(343,241)
Compensated Absences Payable	39,276	(39,276)
Restated Net Assets at 1/1/08	<u>\$ 31,563,371</u>	<u>\$ 15,732,582</u>
	<u>Total Governmental Funds</u>	
Previously Reported Fund Balance at 12/31/07	\$ 6,596,830	
Reclassification of Sanitation Fund to Business-Type		
Equity in Pooled Cash and Cash Equivalents	(437,315)	
Materials and Supplies Inventory	(4,271)	
Accounts Receivable	(2,599)	
Intergovernmental Receivable	(34,828)	
Taxes Receivable	(376,814)	
Accounts Payable	51,287	
Accrued Wages	18,090	
Intergovernmental Payable	31,015	
Deferred Revenue	418,371	
Restated Fund Balance at 1/1/08	<u>\$ 6,259,766</u>	

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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**NOTE 5: DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

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.

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 2008, the City and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At year-end, the carrying amount of the City's deposits was \$5,958,098. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$5,059,094 of the City's bank balance of \$6,091,683 was exposed to custodial risk as discussed above, \$93,580 was uninsured and uncollateralized, while \$939,009 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of December 31, 2008, the City had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	<u>\$ 1,022,055</u>	<u>\$ 1,022,055</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

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

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

**Concentration of Credit Risk** The following table includes the percentage to total of each investment type held by the City at December 31, 2008:

Investment Type	Fair Value	Percent of Total
STAROhio	<u>\$ 1,022,055</u>	<u>100.00%</u>

**NOTE 6: PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2008.

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. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2008 with real property taxes.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 percent for property including inventory. This percentage will be reduced to zero for 2009. Payments 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 semi-annually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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**NOTE 6: PROPERTY TAXES (Continued)**

The full tax rate for all City operations for the year ended December 31, 2008 was \$9.67 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$ 317,731,420
Public Utility Real Property and Minerals	49,420
Public Utility Tangible Property	7,394,470
Tangible Personal Property	<u>11,709,200</u>
Total	<u>\$ 336,884,510</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of New Philadelphia. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 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 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 7: RECEIVABLES**

Receivables at December 31, 2008 consisted of taxes, accounts (billed and unbilled user charged services) and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts and intergovernmental receivables are deemed collectible in full.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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**NOTE 8: INCOME TAX**

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

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

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**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 9: CAPITAL ASSETS**

A summary of changes in capital assets during 2008 follows:

	Restated Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 816,583	\$ 0	\$ 0	\$ 816,583
Construction in Progress	372,874	93,527	(302,574)	163,827
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,189,457</u>	<u>93,527</u>	<u>(302,574)</u>	<u>980,410</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	7,156,323	0	0	7,156,323
Improvements Other than Buildings	5,087,857	25,790	0	5,113,647
Machinery and Equipment	3,088,890	179,985	(135,268)	3,133,607
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	2,933,990	331,528	(51,421)	3,214,097
Infrastructure	25,093,194	1,115,848	0	26,209,042
<i>Total Capital Assets, Being Depreciated</i>	<u>43,470,345</u>	<u>1,653,151</u>	<u>(186,689)</u>	<u>44,936,807</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(2,840,748)	(154,591)	0	(2,995,339)
Improvements Other than Buildings	(1,581,971)	(152,563)	0	(1,734,534)
Machinery and Equipment	(2,188,666)	(149,939)	14,059	(2,324,546)
Furniture and Fixtures	(84,776)	(2,233)	0	(87,009)
Vehicles	(2,040,775)	(95,605)	24,246	(2,112,134)
Infrastructure	(9,600,436)	(683,515)	0	(10,283,951)
<i>Total Accumulated Depreciation</i>	<u>(18,337,372)</u>	<u>(1,238,446) *</u>	<u>38,305</u>	<u>(19,537,513)</u>
<i>Total Capital Assets Being Depreciated</i>	<u>25,132,973</u>	<u>414,705</u>	<u>(148,384)</u>	<u>25,399,294</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 26,322,430</u>	<u>\$ 508,232</u>	<u>\$ (450,958)</u>	<u>\$ 26,379,704</u>

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

General Government	\$ 114,526
Leisure Time Services	198,304
Public Health	4,521
Security of Persons and Property	79,918
Transportation	718,484
Community and Economic Development	<u>122,693</u>
<b>Total</b>	<u>\$ 1,238,446</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 9: CAPITAL ASSETS (Continued)**

	Restated Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
<b>Business-Type Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 51,892	\$ 0	\$ 0	\$ 51,892
Construction in Progress	1,441,500	37,000	(1,478,500)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,493,392</u>	<u>37,000</u>	<u>(1,478,500)</u>	<u>51,892</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings	8,905,278	128,643	0	9,033,921
Improvements Other than Buildings	6,689,081	153,041	0	6,842,122
Machinery and Equipment	4,428,688	49,350	0	4,478,038
Furniture and Fixtures	20,554	0	0	20,554
Vehicles	1,491,449	404,837	(17,668)	1,878,618
Sewer lines	5,940,497	129,021	0	6,069,518
Water lines	12,273,893	1,957,911	0	14,231,804
<i>Total Capital Assets, Being Depreciated</i>	<u>39,749,440</u>	<u>2,822,803</u>	<u>(17,668)</u>	<u>42,554,575</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(3,819,477)	(237,453)	0	(4,056,930)
Improvements other than buildings	(1,075,776)	(203,318)	0	(1,279,094)
Machinery and equipment	(3,646,998)	(124,419)	0	(3,771,417)
Furniture and fixtures	(19,526)	0	0	(19,526)
Vehicles	(1,210,079)	(37,524)	16,785	(1,230,818)
Sewer lines	(2,196,105)	(97,869)	0	(2,293,974)
Water lines	(6,111,622)	(284,768)	0	(6,396,390)
<i>Total Accumulated Depreciation</i>	<u>(18,079,583)</u>	<u>(985,351)</u>	<u>16,785</u>	<u>(19,048,149)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>21,669,857</u>	<u>1,837,452</u>	<u>(883)</u>	<u>23,506,426</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 23,163,249</u>	<u>\$ 1,874,452</u>	<u>\$ (1,479,383)</u>	<u>\$ 23,558,318</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 10: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2008, 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 11: DEFINED BENEFIT PENSION PLANS**

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

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

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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**NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)**

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in State and local classifications contributed 10.0 percent of covered payroll and public safety members and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. For 2008, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$333,811, \$395,428, and \$432,821, respectively; 95 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$6,149 made by the City and \$8,784 made by the plan members.

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$139,715 and \$223,107, \$130,491 and \$208,791, and \$120,960 and 187,308 for the years ended December 31, 2008, 2007 and 2006, respectively. The full amount has been contributed for 2007 and 2006. 72.8 percent has been contributed for police and 72.6 percent for firefighters for 2008.

**NOTE 12: POSTEMPLOYMENT BENEFITS**

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll for 2008.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$333,811, \$260,461, and \$211,706, respectively; 95.14 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

**NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)**

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
December 31, 2008

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**NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)**

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$73,967 and \$87,303, \$69,084 and \$81,701, and \$79,782 and \$89,332 for the years ended December 31, 2008, 2007 and 2006, respectively. The full amount has been contributed for 2007 and 2006. 72.8 percent has been contributed for police and 72.6 percent for firefighters for 2008.

**NOTE 13: OTHER EMPLOYEE BENEFITS**

***A. Additional Insurance***

The City contracts with AultCare for major medical insurance, Vision Service Plan for vision insurance for all full-time employees, and AFSCME Care Plan for full-time AFSCME union employees. The City pays \$2.07 for single eye care, \$4.67 for family eye care and \$26 for dental insurance premiums. Employees have a choice of 3 health care plans:

Option 1: The City pays: \$708.75 family, employee pays \$75 for a total of \$783.75  
\$307.25 single, employee pays \$34 for a total of \$341.25

Option 2: The City pays: \$627.40 family  
\$272.95 single

Option 3: HSA: The City pays: \$555.40 family  
\$241.80 single

The City also contributes to each employee: \$864.00 family  
\$373.80 single

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

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

***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, 2008, the total liability for unpaid compensated absences was \$1,413,666.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 14: CAPITALIZED LEASES - LESSEE DISCLOSURE**

During 2008 the City entered into capitalized leases for the acquisition of a street sweeper and a sewer jetter. The leases meet the criteria of capital leases 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.

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2008:

	Governmental Activities	Business-Type Activities
2009	\$ 40,985	\$ 59,212
2010	40,985	59,212
2011	40,984	59,212
2012	40,984	0
	163,938	177,636
Less amount representing interest	17,454	11,365
Present value of minimum lease payments	\$ 146,484	\$ 166,271

**NOTE 15: 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
<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 Public Works Commission - 2008	0.00	60,591	January 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 (Continued)*  
 December 31, 2008

**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

Changes in the long-term obligations of the City during 2008 were as follows:

	Restated Amount Outstanding 1/1/2008	Additions	(Reductions)	Amount Outstanding 12/31/2008	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Downtown Improvement Bonds	\$ 25,822	\$ 0	\$ (25,822)	\$ 0	\$ 0
City Improvement Bonds	2,270,000	0	(285,000)	1,985,000	110,000
Park Improvements Bonds	200,000	0	(200,000)	0	0
<i>Total General Obligation Bonds</i>	<u>2,495,822</u>	<u>0</u>	<u>(510,822)</u>	<u>1,985,000</u>	<u>110,000</u>
Special Assessment Bond	54,178	0	(54,178)	0	0
Capital Leases	0	187,469	(40,985)	146,484	34,158
Compensated Absences	843,049	222,623	(44,464)	1,021,208	227,300
<i>Total Governmental Activities</i>	<u>\$ 3,393,049</u>	<u>\$ 410,092</u>	<u>\$ (650,449)</u>	<u>\$ 3,152,692</u>	<u>\$ 371,458</u>
<b>Business-Type Activities</b>					
<b>OPWC Loans</b>					
Ohio Public Works Commission - Sewer Repair	\$ 40,000	\$ 0	\$ (10,000)	\$ 30,000	\$ 10,000
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	280,000	0	(17,500)	262,500	17,500
Ohio Public Works Commission Loan - Clearwell	87,500	0	(5,000)	82,500	5,000
Ohio Public Works Commission -Bluebell Pump					
Pump Station	0	60,591	0	60,591	4,040
<i>Total OPWC Loans</i>	<u>407,500</u>	<u>60,591</u>	<u>(32,500)</u>	<u>435,591</u>	<u>36,540</u>
<b>OWDA Loans</b>					
Ohio Water Development Authority Loan -					
Sewer Plant Expansion and Upgrade	6,611,946	0	(408,616)	6,203,330	409,433
Ohio Water Development Authority Loan -					
Bass Lake Project	1,316,640	0	(82,290)	1,234,350	82,290
Ohio Water Development Authority Loan -					
Waste Water Treatment Plant Improvements	740,841	0	(35,367)	705,474	36,626
Ohio Water Development Authority					
Loan - Sewer Loan	201,654	0	(5,311)	196,343	5,539
<i>Total OWDA Loans</i>	<u>8,871,081</u>	<u>0</u>	<u>(531,584)</u>	<u>8,339,497</u>	<u>533,888</u>
Capital Leases	0	225,483	(59,212)	166,271	53,592
Compensated Absences	203,189	19,022	(25,258)	196,953	24,018
<i>Total Business-Type Activities</i>	<u>\$ 9,481,770</u>	<u>\$ 305,096</u>	<u>\$ (648,554)</u>	<u>\$ 9,138,312</u>	<u>\$ 648,038</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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**NOTE 15: LONG-TERM OBLIGATIONS (Continued)**

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$9,278,581 of Ohio Public Works Commission (OPWC) loans and the Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 13.1 percent. The total principal and interest remaining to be paid on the loans is \$9,179,043. Principal and interest paid for the current year and total net revenues were \$611,667 and \$1,246,016, respectively.

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, 2008, the City had drawn \$8,229,699. The City began repaying the loan in 2004.

In 2003, The City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$875,008. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2008, the City had drawn down \$870,558.

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

In 2003, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$350,000. The proceeds of this loan are being used for improvements to the waste water treatment plant. As of December 31, 2008, 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, 2008, the City had drawn down the entire amount of the loan.

In 2005, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$211,630. The proceeds of this loan are being used for rehabilitation and replacement of deteriorated sanitary sewers. As of December 31, 2008, the City had drawn down the entire amount of the loan.

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

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 15: 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.

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

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

	General Obligation Bonds	
	Principal	Interest
2009	\$ 110,000	\$ 94,568
2010	120,000	89,947
2011	130,000	84,788
2012	130,000	79,067
2013	135,000	73,283
2014-2018	790,000	261,720
2019-2022	570,000	57,500
	<u>\$ 1,985,000</u>	<u>\$ 740,873</u>

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

	Ohio Public Works Commission Loan		Ohio Water Development Authority Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 36,540	\$ 0	\$ 533,888	\$ 45,278	\$ 570,428	\$ 45,278
2010	36,540	0	536,250	42,974	572,790	42,974
2011	36,540	0	538,670	40,497	575,210	40,497
2012	26,540	0	541,150	38,017	567,690	38,017
2013	26,540	0	543,693	34,474	570,233	34,474
2014-2018	132,700	0	2,758,961	136,874	2,891,661	136,874
2019-2023	132,700	0	2,803,927	52,018	2,936,627	52,018
2024-2028	7,491	0	56,715	12,414	64,206	12,414
2029-2031	0	0	26,243	1,409	26,243	1,409
	<u>\$ 435,591</u>	<u>\$ 0</u>	<u>\$ 8,339,497</u>	<u>\$ 403,955</u>	<u>\$ 8,775,088</u>	<u>\$ 403,955</u>

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
 December 31, 2008

**NOTE 16: INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2008, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		
	<u>General</u>	<u>Cemetery Endowment</u>	<u>Total</u>
Cemetery	\$ 73,000	\$ 20,083	\$ 93,083
Sidewalk Improvement	24,574	0	24,574
<i>Total</i>	<u>\$ 97,574</u>	<u>\$ 20,083</u>	<u>\$ 117,657</u>

The transfers from the general fund and the cemetery endowment fund to the cemetery and sidewalk improvement funds were made to provide additional resources for current operations.

**NOTE 17: CONTRACTUAL COMMITMENTS**

As of December 31, 2008, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2008</u>
W.E. Quicksall - FY08 grant admin	\$ 10,000	\$ 7,000	\$ 3,000
Lanzer Excavating	46,681	0	46,681
RF Scurlock - Tech Park Construction	3,963,511	3,753,060	210,451
Caldwell Tanks - Tech Park Construction	413,550	402,450	11,100
Infrastructure Systems - Tech Park Construction	393,821	378,879	14,942
Tucson, Inc. - Hummel & S. Broadway storm sewer	56,990	54,707	2,283
TMS Engineering - traffic signal engineering	141,680	114,473	27,207
Industrial Appraisal Company	17,900	10,740	7,160
Municipal Services-2008 grant administration	35,500	6,000	29,500
Municipal Services - 2008 CHIP grant implementation	58,700	0	58,700
Totals	<u>\$ 5,138,333</u>	<u>\$ 4,727,309</u>	<u>\$ 411,024</u>

**NOTE 18: JOINTLY GOVERNED ORGANIZATIONS**

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

The City is associated with the Community Improvement Corporation (“Corporation”) of Tuscarawas County as a Jointly Governed Organization. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenhutten. 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 2008, 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 2008, the City paid \$3,411 to support the efforts of S.E.N.T.

***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 2008, OMEGA received \$2,558 from the City of New Philadelphia for an annual fee. The continued existence of OMEGA is not dependent on the City’s continued participation and no equity interest exists. OMEGA has no outstanding debts.

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

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2008, no monies were paid by the City.

**City of New Philadelphia, Ohio**  
*Notes To The Basic Financial Statements (Continued)*  
*December 31, 2008*

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**NOTE 19: CONTINGENCIES**

***A. Grants***

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2008.

***B. Litigation***

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

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

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**CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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	\$6,055	\$38,400
HOME Investment Partnerships Program	A-C-06-154-2	14.239	127,861	113,101
	A-C-06-154-1		28,400	54,601
	C-06-154-1		9,192	7,671
<i>Total HOME Investment Partnerships Program</i>			165,453	175,373
<b>Total U.S. Department of Housing and Urban Development</b>			<b>171,508</b>	<b>213,773</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Direct:</i>				
Bulletproof Vest Partnership Program	N/A	16.607	802	
<b>U.S. DEPARTMENT OF FEDERAL AVIATION ADMINISTRATION</b>				
<i>Direct:</i>				
Airport Improvement Program	N/A	20.106	7,125	
	N/A		7,125	7,125
<i>Total Airport Improvement Program</i>			14,250	7,125
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<i>Direct:</i>				
Public Works and Economic Development Cluster	N/A	11.300	409,532	1,173,012
<b>TOTAL</b>			<b>\$596,092</b>	<b>\$1,393,910</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, 2008**

**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 - MATCHING REQUIREMENTS**

Certain Federal programs require the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



# Mary Taylor, CPA

Auditor of State

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

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

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the City's management in a separate letter dated September 14, 2009.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated September 14, 2009.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 14, 2009



# Mary Taylor, CPA

Auditor of State

## 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  
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, 2008. 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 complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2008.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 14, 2009

**CITY OF NEW PHILADELPHIA  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2008**

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

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

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

None

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

None





Mary Taylor, CPA  
Auditor of State

**CITY OF NEW PHILADELPHIA**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 15, 2009**