



**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District implemented Governmental Accounting Standards Board Technical Bulletin No. 2004-2 which resulted in the restatement of the major General Fund and certain other governmental fund's beginning fund balance as of July 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 District'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.



Betty Montgomery
Auditor of State

December 5, 2005

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of New Philadelphia City School District's (The District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance. The financial statements of the component unit are issued as a separate report and are available by contacting the Quaker Digital Academy.

Financial Highlights

Key financial highlights for 2005 are as follows:

- ❑ In total, net assets decreased \$2.1 million. This decrease was in unrestricted net assets of governmental activities which represents a 35% decrease from 2004.
- ❑ General revenues accounted for \$19.4 million or 84.7% of all revenues. Specific program revenues in the form of charges for services, sales, grants and contributions accounted for \$3.5 million or 15.3% of total revenues of \$22.9 million.
- ❑ The District had \$25.0 million in expenses related to governmental activities; only \$3.5 million of these expenses were offset by program specific charges for services, grants, or contributions. General revenue (primarily taxes) of \$19.4 million was inadequate to provide for these programs which led to the decrease in net assets.
- ❑ Among major funds, the General Fund had \$18.7 million in revenues and \$20.6 million in expenditures. The General Fund's balance decreased by \$1.9 million.

Using this Annual Financial Report

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

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

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the District’s major funds begins on page 14. Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The District’s major governmental funds are the General Fund, Debt Service Fund and the Permanent Improvement Capital Projects Fund.

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

Proprietary Funds Proprietary funds use full accrual accounting.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District as a Whole

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

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

Table 1
 Net Assets
 (In Millions)

	2005	2004
Assets		
Current and Other Assets	\$20.2	\$21.1
Capital Assets	<u>15.1</u>	<u>15.6</u>
Total Assets	<u>35.3</u>	<u>36.7</u>
Liabilities		
Long Term Liabilities	(7.4)	(7.7)
Other Liabilities	<u>(14.1)</u>	<u>(13.1)</u>
Total Liabilities	<u>(21.5)</u>	<u>(20.8)</u>
Net Assets		
Invested in Capital net of Debt	8.9	9.0
Restricted	0.9	0.8
Unrestricted	<u>4.0</u>	<u>6.1</u>
Total Net Assets	<u>\$13.8</u>	<u>\$15.9</u>

Total assets decreased by \$1.4 million. Cash and Cash Equivalents decreased by \$1.3 million while Tax Receivables increased by \$0.4 million, and Capital Assets decreased by \$0.5 million. This was offset on the liability side where Accrued Wages increased by \$0.1 million and Deferred Revenue increased by \$0.9 million. This was due to the fact that less of the fiscal year 2006 tax revenues were collected or available in fiscal year 2005 and the district gave an overall increase in salaries to staff. The net assets of the District decreased by \$2.1 million. This was due primarily to the decrease in cash and cash equivalents.

The decrease in current assets shows a decrease in the present financial stability of the District. The decline in unrestricted net assets for the current year is due to the decrease in cash and cash equivalents and will need to be monitored to ensure it does not repeat itself in future years.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows the changes in net assets for fiscal year 2005 as compared to fiscal year 2004.

Table 2
 Changes in Net Assets
 (In Millions)

	<u>2005</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$1.5	\$1.3
Operating Revenues	1.9	1.8
Capital Grants	0.1	0.0
General Revenue:		
Property Taxes	9.5	9.9
Grants and Entitlements	9.4	9.1
Other	<u>0.5</u>	<u>0.5</u>
Total Revenue	<u>22.9</u>	<u>22.6</u>
 Program Expenses		
Instruction	13.8	12.8
Support Services		
Pupil and Instructional Staff	2.3	2.1
Board of Education, Fiscal and Administration	3.0	2.9
Operation and Maintenance	2.5	2.5
Pupil Transportation	0.9	0.8
Central	0.0	0.0
Food Service	0.7	0.7
Non-Instructional Services	0.4	0.4
Extracurricular Activities	1.2	1.0
Interest and Fiscal Charges	<u>0.2</u>	<u>0.5</u>
Total Expenses	<u>25.0</u>	<u>23.7</u>
 Increase (Decrease) in Net Assets	 <u><u>(\$2.1)</u></u>	 <u><u>(\$1.1)</u></u>

Governmental Activities

Several revenue sources fund our governmental activities with property taxes being the largest contributor. The last increase in property tax levies by the citizens of the District was in 1994. Property tax levies generated \$9.6 million in 2005. General revenues from grants and entitlements, such as the school foundation program, are also a large revenue generator. With the combination of taxes and intergovernmental funding over 75.9% of all expenses in governmental activities, the District monitors both of these revenue sources very closely for fluctuations.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Instruction comprises 55.3% of governmental program expenses. Interest expense was 1.0% and was attributable to outstanding bonds and capital leases on copier and weight training equipment. The increase of \$1.3 million in total expenses is due to increases in salaries and benefits. Overall salaries increased by 3.75% while increases in health insurance costs attributed to a 15% increase in benefits.

Table 3
 Governmental Activities
 (In Millions)

	Total Cost of Services 2005	Total Cost of Services 2004
Instruction	\$13.8	\$12.8
Support Services:		
Pupil and Instructional Staff	2.3	2.1
Board of Education, Administration and Fiscal	3.0	2.9
Operation and Maintenance of Plant	2.5	2.5
Pupil Transportation	0.9	0.8
Central	0.0	0.0
Food Service	0.7	0.7
Operation of Non-Instructional Services	0.4	0.4
Extracurricular Activities	1.2	1.0
Interest and Fiscal Charges	0.2	0.5
Total Expenses	\$25.0	\$23.7

The School District's Funds

Information about the District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22.9 million and expenditures of \$24.8 million. The net change in fund balance for the year was a decrease of \$1.9 million. The general fund accounted for \$1.9 million of the decrease while other governmental funds decreased by \$0.1 million, the Permanent Improvement increased by \$0.1 million and the Debt Service Fund was unchanged. This decrease indicated the School District's current revenue base does not continue to meet District obligations as a whole. The District understands that it needs to continue to monitor expenditures to ensure that the District's obligations will continue to be met without the requirement of additional tax levies.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the District amended its general fund budget once at the end of the fiscal year. Requests for budget changes are made by the building administrators. Final approval is obtained from the treasurer and superintendent and is presented to the Board of Education for their adoption.

For the General Fund, budget basis revenue was \$0.1 million less than the original budget estimates of \$19.2 million.

The original appropriations of \$20.9 million were only slightly increased to \$21.6 million. Expenditures, however, were only \$20.5 million or \$1.1 million less than anticipated due to surplus appropriations in regular instruction, instructional staff, pupil services, administrative, maintenance and extracurricular costs.

The District's ending unobligated budgetary fund balance was \$0.8 million above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the School District had \$15.1 million invested in land, buildings, equipment, vehicles and construction in progress. Table 4 shows fiscal year 2005 balances compared to 2004:

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

	2005	2004
Land	\$0.8	\$0.8
Buildings and Improvements	10.5	10.5
Furniture and Equipment	2.9	3.1
Vehicles	0.9	0.9
Construction in progress	0.0	0.3
Totals	\$15.1	\$15.6

Refer to Note # 7 for further information.

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

For fiscal year 2005, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2005, this amounted to \$448,014 for each set aside. For fiscal year 2005, the District had qualifying disbursements or offsets exceeding these requirements. For fiscal year 2006, the set asides will remain the same. The District has budgeted to meet these requirements. Refer to Note 18 for the set aside calculations.

Debt

At June 30, 2005, the District had \$6.1 million in bonds, \$.4 million due within one year. Table 5 summarizes bonds outstanding.

Table 5
 Outstanding Debt at Year End
 (In Millions)

	Governmental Activities 2005	Governmental Activities 2004
General Obligation Bonds:		
2004 School Improvement	\$6.1	\$6.5
Total	\$6.1	\$6.5

Refer to Note # 12 for further information.

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

At June 30, 2005, the District's overall legal debt margin was \$33,898,527 with an unvoted debt margin of \$442,763. The District maintains an A-1 bond rating.

For the Future

New Philadelphia City School District is still strong financially even with the recent decreases in net assets. As the preceding information shows, the School District heavily depends on its property taxpayers. Although the District has not had to request an increase in voter-approved taxes since 1994, financially the future is not without challenges.

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

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

New Philadelphia City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

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

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

Contacting the School District's Financial Management

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

New Philadelphia City School District

Statement of Net Assets

June 30, 2005

	Primary Government	Component Unit
	Governmental Activities	Quaker Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$8,606,714	\$206,445
Receivables:		
Taxes	11,077,122	0
Accounts	67,047	0
Intergovernmental	229,735	14,602
Accrued Interest	23,043	
Prepaid Items	75,588	0
Materials and Supplies		
Inventory	24,571	0
Deferred Charges	138,287	0
Capital Assets		
Land and Construction in Progress	1,112,170	0
Other Depreciable Capital Assets Net	13,986,684	0
<i>Total Assets</i>	<u>35,340,961</u>	<u>221,047</u>
Liabilities		
Accounts Payable	219,769	32,368
Contracts Payable	0	0
Accrued Wages	2,439,669	0
Vacation Payable	126,185	0
Intergovernmental Payable	588,410	0
Deferred Revenue	10,258,100	0
Accrued Interest Payable	17,155	0
Claims Payable	277,911	0
Bond Premium	184,320	0
Long-Term Liabilities:		
Due Within One Year	630,520	0
Due In More Than One Year	6,728,125	0
<i>Total Liabilities</i>	<u>21,470,164</u>	<u>32,368</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	8,911,924	0
Restricted for:		
Capital Projects	140,337	0
Debt Service	547,725	0
Other Purposes	223,419	0
Unrestricted	4,047,392	188,679
<i>Total Net Assets</i>	<u><u>\$13,870,797</u></u>	<u><u>\$188,679</u></u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$11,291,042	\$180,905	\$679,033	\$48,885
Special	1,962,117	0	48,023	0
Vocational	360,325	0	0	0
Adult/Continuing	101	0	0	0
Other	204,603	0	0	0
Support Services:				
Pupil	1,216,336	0	137,084	0
Instructional Staff	1,088,460	0	488,144	0
Board of Education	95,149	0	0	0
Administration	2,199,594	0	148,813	0
Fiscal	709,444	0	9,732	0
Operation and Maintenance of Plant	2,538,535	0	0	0
Pupil Transportation	882,799	0	0	0
Central	2,930	0	0	0
Food Service	652,428	450,810	199,197	0
Operation of Non-Instructional Services	425,636	200,368	226,951	32,916
Extracurricular Activities	1,153,535	650,138	0	0
Interest and Fiscal Charges	205,912	0	0	0
<i>Total Governmental Activities</i>	<u>24,988,946</u>	<u>1,482,221</u>	<u>1,936,977</u>	<u>81,801</u>
Component Unit				
Quaker Digital Academy	<u>\$363,446</u>	<u>\$0</u>	<u>\$147,602</u>	<u>\$0</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	Quaker Digital Academy
(\$10,382,219)	\$0
(1,914,094)	0
(360,325)	0
(101)	0
(204,603)	0
(1,079,252)	0
(600,316)	0
(95,149)	0
(2,050,781)	0
(699,712)	0
(2,538,535)	0
(882,799)	0
(2,930)	0
(2,421)	0
34,599	0
(503,397)	0
(205,912)	0
(21,487,947)	0
0	(215,844)
\$8,812,770	0
562,539	0
174,317	0
9,406,835	230,352
225,541	0
238,141	0
19,420,143	230,352
(2,067,804)	14,508
15,938,601	174,171
\$13,870,797	\$188,679

New Philadelphia City School District

Balance Sheet

Governmental Funds

June 30, 2005

	General	Debt Service	Permanent Improvement Capital Projects	Other Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,472,040	\$551,672	\$120,140	\$532,462
Receivables:				
Taxes	10,276,938	600,241	199,943	0
Accounts	36,780	0	0	30,267
Interest	23,043	0	0	0
Intergovernmental	0	0	0	229,735
Due from Other Funds	92,000	0	0	0
Prepaid Items	75,588	0	0	0
Materials and Supplies Inventory	10,359	0	0	14,212
<i>Total Assets</i>	<u>\$16,986,748</u>	<u>\$1,151,913</u>	<u>\$320,083</u>	<u>\$806,676</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$95,914	\$0	\$0	\$123,855
Contracts Payable	0	0	0	0
Accrued Wages	2,252,969	0	0	186,700
Intergovernmental Payable	492,794	0	0	95,616
Due to Other Funds	0	0	0	92,000
Deferred Revenue	9,500,827	558,155	184,844	14,274
<i>Total Liabilities</i>	<u>12,342,504</u>	<u>558,155</u>	<u>184,844</u>	<u>512,445</u>
Fund Balances				
Reserved for Encumbrances	0	0	37,496	54,861
Reserved for Prepays	75,588	0	0	0
Reserved for Inventory	10,359	0	0	0
Reserved for Property Taxes	776,111	42,086	15,099	0
Unreserved, Undesignated, Reported in:				
General Fund	3,782,186	0	0	0
Special Revenue Funds	0	0	0	234,272
Debt Service Fund	0	551,672	0	0
Capital Projects Funds	0	0	82,644	5,098
<i>Total Fund Balances</i>	<u>4,644,244</u>	<u>593,758</u>	<u>135,239</u>	<u>294,231</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$16,986,748</u>	<u>\$1,151,913</u>	<u>\$320,083</u>	<u>\$806,676</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2005

Total Governmental Funds	Total Governmental Fund Balances	\$5,667,472
	<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$7,676,314		
11,077,122	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,098,854
67,047		
23,043		
229,735		
92,000		
75,588	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	652,489
24,571		
\$19,265,420		
	Government funds report the effects of issuance costs, premiums discounts and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. This amount is the net affect of the difference	(46,033)
\$219,769		
0		
2,439,669		
588,410		
92,000	Accrued interest on bonds payable	(17,155)
10,258,100		
13,597,948	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(7,484,830)
	<i>Net Assets of Governmental Activities</i>	<u>\$13,870,797</u>
92,357		
75,588		
10,359		
833,296		
3,782,186		
234,272		
551,672		
87,742		
5,667,472		
\$19,265,420		

New Philadelphia City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Debt Service	Permanent Improvement Capital Projects	Other Governmental Funds
Revenues				
Taxes	\$8,812,770	\$562,539	\$174,317	\$0
Intergovernmental	9,304,207	81,910	20,718	1,985,862
Interest	206,497	0	0	612
Tuition and Fees	127,233	0	0	254,040
Extracurricular Activities	0	0	0	650,138
Rentals	7,342	0	0	0
Charges for Services	0	0	0	450,810
Contributions and Donations	0	0	32,916	5,026
Miscellaneous	223,712	0	1,632	429
<i>Total Revenues</i>	<u>18,681,761</u>	<u>644,449</u>	<u>229,583</u>	<u>3,346,917</u>
Expenditures				
Current:				
Instruction:				
Regular	9,940,872	0	0	767,827
Special	1,893,837	0	0	35,182
Vocational	360,473	0	0	0
Other	204,603	0	0	0
Support Services:				
Pupil	1,076,048	0	0	126,094
Instructional Staff	548,631	0	0	503,051
Board of Education	95,149	0	0	0
Administration	1,971,473	0	0	174,915
Fiscal	689,206	0	0	32,568
Operation and Maintenance of Plant	2,345,155	0	0	0
Pupil Transportation	910,080	0	0	0
Central	2,930	0	0	0
Operation of Non-Instructional Services	5,911	0	0	445,386
Food Service	0	0	0	639,349
Extracurricular Activities	502,470	0	0	629,517
Capital Outlay	0	0	139,158	50,108
Debt Service:				
Principal Retirement	55,431	400,000	0	0
Interest and Fiscal Charges	5,084	219,358	0	0
<i>Total Expenditures</i>	<u>20,607,353</u>	<u>619,358</u>	<u>139,158</u>	<u>3,403,997</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>(1,925,592)</u>	<u>25,091</u>	<u>90,425</u>	<u>(57,080)</u>
Other Financing Sources (Uses)				
Transfer In	20,000	0	0	54,600
Transfer Out	(54,600)	0	(20,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(34,600)</u>	<u>0</u>	<u>(20,000)</u>	<u>54,600</u>
<i>Net Change in Fund Balance</i>	(1,960,192)	25,091	70,425	(2,480)
<i>Fund Balances Beginning of Year (Restated)</i>	6,601,258	568,667	64,814	296,711
Increase in Reserve for Inventory	3,178	0	0	0
<i>Fund Balances End of Year</i>	<u>\$4,644,244</u>	<u>\$593,758</u>	<u>\$135,239</u>	<u>\$294,231</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	(\$1,867,156)
	<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$9,549,626	Governmental funds report capital outlays as expenditures.	
11,392,697	However, in the statement of activities, the cost of those	
207,109	assets is allocated over their estimated useful lives as	
381,273	depreciation expense. This is the amount by which depreciation	
650,138	exceeded capital outlay in the current period.	(153,364)
7,342		
450,810	Governmental funds only report the disposal of assets to the	
37,942	extent proceeds are received from the sale. In the statement	
225,773	of activities, a gain or loss is reported for each disposal. This	
	is the amount of the loss on the disposal of fixed assets. There	
22,902,710	were no proceeds.	(353,331)
	Government funds report the effects of issuance costs, premiums	
10,708,699	discounts and similar items when debt is first issued whereas these	
1,929,019	amounts are deferred and amortized in the statement of activities. This	
360,473	amount is the net affect of the difference	(46,033)
204,603		
	Repayment of bond and capital lease principal is an expenditure in the	
1,202,142	governmental funds, but the repayment reduces long-term	
1,051,682	liabilities in the statement of net assets.	455,421
95,149		
2,146,388	In the statement of activities, interest is accrued on	
721,774	outstanding bonds, whereas in governmental funds, an	
2,345,155	interest expenditure is reported when due.	32,369
910,080		
2,930	Some expenses reported in the statement of activities,	
451,297	such as compensated absences, do not require the use	
639,349	of current financial resources and therefore are not	
1,131,987	reported as expenditures in governmental funds.	(92,516)
189,266		
	The internal service fund used by management to charge	
455,431	the cost of insurance to individual funds is not reported in	
224,442	expenditures and the related internal service fund revenues	
	are eliminated. The net revenue (expense) of the internal	
24,769,866	service fund is allocated among the governmental activities.	(43,194)
(1,867,156)	<i>Change in Net Assests of Governmental Activities</i>	(2,067,804)
74,600		
(74,600)		
0		
(1,867,156)		
7,531,450		
3,178		
\$5,667,472		

New Philadelphia City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Taxes	\$9,067,005	\$9,147,005	\$9,252,015	\$105,010
Intergovernmental	9,651,611	9,681,338	9,304,207	(377,131)
Interest	160,000	160,000	173,172	13,172
Tuition and Fees	150,000	137,000	156,013	19,013
Rentals	5,000	10,000	7,342	(2,658)
Miscellaneous	154,000	137,000	194,509	57,509
<i>Total Revenues</i>	<u>19,187,616</u>	<u>19,272,343</u>	<u>19,087,258</u>	<u>(185,085)</u>
Expenditures				
Current:				
Instruction:				
Regular	10,142,589	10,270,913	9,964,220	306,693
Special	1,925,403	1,947,403	1,888,949	58,454
Vocational	384,463	385,062	375,100	9,962
Other	140,000	210,000	190,413	19,587
Support Services:				
Pupil	1,127,357	1,132,400	1,065,683	66,717
Instructional Staff	638,887	657,886	553,581	104,305
Board of Education	78,000	115,700	104,327	11,373
Administration	2,028,471	2,049,477	1,958,692	90,785
Fiscal	706,939	729,039	674,018	55,021
Operation and Maintenance of Plant	2,351,514	2,533,341	2,346,875	186,466
Pupil Transportation	842,750	948,750	901,908	46,842
Central	2,500	4,500	2,931	1,569
Operation of Non-Instructional Services	0	10,000	5,911	4,089
Extracurricular Activities	499,200	566,200	507,107	59,093
<i>Total Expenditures</i>	<u>20,868,073</u>	<u>21,560,671</u>	<u>20,539,715</u>	<u>1,020,956</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,680,457)</u>	<u>(2,288,328)</u>	<u>(1,452,457)</u>	<u>835,871</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	0	240	240
Advances In	81,000	81,000	81,500	500
Advances Out	0	0	(92,000)	(92,000)
Transfers Out	(35,000)	(61,195)	(54,600)	6,595
<i>Total Other Financing Sources (Uses)</i>	<u>46,000</u>	<u>19,805</u>	<u>(64,860)</u>	<u>(84,665)</u>
<i>Net Change in Fund Balance</i>	(1,634,457)	(2,268,523)	(1,517,317)	751,206
<i>Fund Balance Beginning of Year</i>	7,679,302	7,679,302	7,679,302	0
Prior Year Encumbrances Appropriated	<u>250,986</u>	<u>250,986</u>	<u>250,986</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,295,831</u>	<u>\$5,661,765</u>	<u>\$6,412,971</u>	<u>\$751,206</u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Governmental Activities - Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$930,400</u>
<i>Total Assets</i>	<u>930,400</u>
Liabilities	
Claims Payable	<u>277,911</u>
<i>Total Liabilities</i>	<u>277,911</u>
Net Assets	
Unrestricted	<u>652,489</u>
<i>Total Net Assets</i>	<u><u>\$652,489</u></u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2005*

	<u>Governmental Activities - Internal Service</u>
Operating Revenues	
Charges for Services	<u>\$2,962,420</u>
<i>Total Operating Revenues</i>	<u>2,962,420</u>
Operating Expenses	
Purchased Services	331,428
Claims	<u>2,674,186</u>
<i>Total Operating Expenses</i>	<u>3,005,614</u>
<i>Operating Loss</i>	<u>(43,194)</u>
<i>Net Assets Beginning of Year</i>	<u>695,683</u>
<i>Net Assets End of Year</i>	<u><u>\$652,489</u></u>

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2005

	Governmental Activities - Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Transactions With Other Funds	\$2,962,420
Cash Payments for Goods and Services	(331,428)
Cash Payments for Claims	(2,616,226)
	14,766
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>14,766</u>
 <i>Cash and Cash Equivalents Beginning of Year</i>	 <u>915,634</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$930,400</u>
 Reconciliation of Operating Profit (Loss) to Net Cash Provided by Operating Activities	
Operating Profit (Loss)	(\$43,194)
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	57,960
	<u>57,960</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$14,766</u>
See accompanying notes to the basic financial statements	

New Philadelphia City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$928,264	\$46,292
<i>Total Assets</i>	928,264	46,292
Liabilities		
Due to Students	0	46,292
<i>Total Liabilities</i>	0	\$46,292
Net Assets		
Held in Trust for Scholarships	928,264	
<i>Total Net Assets</i>	\$928,264	

See accompanying notes to the basic financial statements

New Philadelphia City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$7,914
Gifts and Donations	906,732
Total additions	914,646
Deductions	
Other operating Expense	762
<i>Changes in Net Assets</i>	913,884
<i>Net Assets at Beginning of Year</i>	14,380
<i>Net Assets at End of Year</i>	\$928,264

See accompanying notes to the basic financial statements

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 1 - Description of the School District and Reporting Entity

New Philadelphia City School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by State statute and/or federal guidelines. This Board controls the District's eight instructional/support facilities staffed by 141 non-certificated employees, 206 certificated full time teaching personnel and 17 administrative employees who provide services to 3,182 students and other community members.

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

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

Reporting Entity

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

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

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has one component unit, The Quaker Digital Academy ("the Academy") (See Note 20). The School District appoints a voting majority of the Academy's governing board.

The School District is associated with three jointly governed organizations and one public entity risk pool. These organizations are presented in Note 16 to the financial statements. These organizations are:

Jointly Governed Organizations:

Ohio Mid-Eastern Regional Education Service Association

Buckeye Career Center

Tuscarawas County Tax Incentive Review Council

Public Entity Risk Pool:

Ohio School Boards Workers' Compensation Group Rating Program

New Philadelphia City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

The other governmental funds of the School District 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. Proprietary funds are classified as internal service.

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets.

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

D. Basis of Accounting

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

E. Budgetary Data

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

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Tuscarawas County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2005, investments were limited to an overnight Repurchase Agreement and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005. Repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$206,497, which includes \$28,909 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Inventory

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

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

I. Capital Assets

Capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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

J. Interfund Balances

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

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a 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 equity reserves have been established for encumbrances, prepaids, inventories of supplies and materials and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Net Assets

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

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

O. Operating Revenues and Expenses

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

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

S. Estimates

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 3 – Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and GASB Technical Bulletin 2004-2, “Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers”.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District; however, an additional note disclosure can be found in Note 5. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$6,726,810	\$392,842
GASB Technical Bulletin No. 2004-2	<u>(125,552)</u>	<u>(96,131)</u>
Restated Fund Balance, June 30, 2004	<u>\$6,601,258</u>	<u>\$296,711</u>

Note 4 - Budgetary Basis of Accounting

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

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 4 - Budgetary Basis of Accounting (Continued)

Net Change in Fund Balance Major General Fund	
	General
GAAP Basis	<u>(\$1,960,192)</u>
Net Adjustment for Revenue Accruals	385,737
Net Adjustment for Expenditure Accruals	107,234
Advances (Net)	(10,500)
Adjustment for Encumbrances	<u>(39,596)</u>
Budget Basis	<u><u>(\$1,517,317)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 5 - Deposits and Investments (Continued)

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; provided training requirements under the Ohio Revised Code have been met,

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 5 - Deposits and Investments (Continued)

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$124,954 of the School Districts bank balance of \$2,956,374 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the School Districts name.

At year end, \$110,910 of the Quaker Digital Academy's bank balance was exposed to custodial risk.

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

Investments As of June 30, 2005, the School District had the following Investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Repurchase Agreement	\$159,173	Daily
Certificate of Deposit	1,000,000	September 30, 2005
Certificate of Deposit	906,073	October 24, 2005
STAR Ohio	<u>4,669,838</u>	Daily
Total Investments	<u>\$6,735,084</u>	

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

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 6- Property Taxes

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

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

2005 real property taxes are levied after April 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2005. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$347,612,880	83.92%	\$376,451,510	85.02%
Public Utility Personal	14,454,830	3.49	14,908,690	3.37
Tangible Personal Property	52,139,640	12.59	51,402,650	11.61
Total	<u>\$414,207,350</u>	<u>100.00%</u>	<u>\$442,762,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.15		\$42.15	

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 6- Property Taxes (Continued)

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the School District as an advance at June 30, 2005, was \$776,111 in the general fund, \$42,086 in the debt service fund and \$15,099 in the permanent improvement capital projects fund. By comparison, the amount available to the School District as an advance at June 30, 2004, was \$1,215,356 in the general fund, \$84,955 in the debt service fund and \$24,542 in the permanent improvement capital projects.

Note 7 - Receivables

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Community Alternative Funding Source	\$13,883
Title 6B	4,032
Title 6B Preschool	66,109
Juvenile Attention Center	92,708
Title II-A	16,924
Title I	33,215
Title II-D	2,553
Drug Free	309
	<hr/>
<i>Total Governmental Activities</i>	<i>\$229,735</i>

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/04	Additions	Deductions	Balance 6/30/05
Governmental Activities				
Land	\$834,677	\$0	\$0	\$834,677
Buildings and Improvements	17,917,282	277,493	0	18,194,775
Furniture and Equipment	6,210,991	279,893	(188,955)	6,301,929
Vehicles	1,561,024	128,413	(81,030)	1,608,407
Construction in Progress	277,493	0	(277,493)	0
Totals at Historical Cost	\$26,801,467	\$685,799	(\$547,478)	\$26,939,788
Less Accumulated Depreciation:				
Buildings and Improvements	(\$7,362,514)	(\$376,668)	\$0	(\$7,739,182)
Furniture and Equipment	(3,150,754)	(348,539)	128,462	(3,370,831)
Vehicles	(682,651)	(113,956)	65,685	(730,922)
Total Accumulated Depreciation	(11,195,919)	(839,163)*	194,147	(11,840,935)
Governmental Activities Capital				
Assets, Net	\$15,605,548	(\$153,364)	(\$353,331)	\$15,098,853

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 8 - Capital Assets (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$514,027
Special	28,818
Vocational	6,194
Adult Education	101
Support Services:	
Pupil	2,175
Instructional Staff	30,509
Administration	24,885
Fiscal	3,817
Operation and Maintenance of Plant	45,940
Pupil Transportation	85,690
Operation of Non-Instructional Services	10,806
Food Service	15,605
Extracurricular Activities	70,596
	<hr/>
Total Depreciation Expense	\$839,163
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Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the School District contracted with Utica National Insurance for property and inland marine, liability insurance, and fleet coverage.

New Philadelphia City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 9 - Risk Management (Continued)

Building and Contents -	
replacement cost (\$5,000 deductible)	\$55,867,088
Inland Marine Coverage (\$250-\$500 deductible)	1,399,544
Boiler and Machinery (\$1,000 deductible)	No limit
Electronic Data Processing (\$100 deductible)	1,762,158
Crime Insurance	25,000-100,000
Automobile Liability (\$1000 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	2,000,000

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

B. Workers' Compensation

For fiscal year 2005, the School District participated in the Ohio Association of Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has elected to provide employees' major medical and hospitalization through a self-insured program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a major medical plan with a \$100 single and \$200 family deductible. A third party administrator, Benefit Services Company, located in Akron, Ohio, reviews all claims which are then paid by the School District. The School District purchases stop-loss coverage of \$60,000 per employee per year and an aggregate annual limit of \$1,000,000. The School District pays to the internal service fund \$1,073.61 for family coverage and \$462.87 for individual coverage per employee per month which represents the entire premium required. This premium is paid by the fund that pays the salary for the employee and is based on historic cost information.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 9 - Risk Management (Continued)

The claims liability at June 30, 2005, was estimated by the third party administrator to be \$277,911. This is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in fiscal year 2004 and 2005 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2004	\$637,049	\$1,885,287	\$2,302,385	\$219,951
2005	219,951	2,674,186	2,616,226	277,911

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling 614-222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 2004, 9.09 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$463,968, \$441,576 and \$444,552, respectively; 50 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$231,984 represents the unpaid contribution for fiscal year 2005.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling 614-227-4090.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 10 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based upon years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan.. DC and Combined Plan members will transfer to the DB Plan during the fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10.0 percent of their annual covered salaries. The School District was required to contribute 14 percent: 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides the statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,527,072, \$1,521,437, and \$1,386,528 , respectively; 83.3 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 11 - Postemployment Benefits (Continued)

STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$109,076 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was at \$27,500. However the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including surcharges, equaled \$223,231 during the 2005 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

Note 12 - Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for certified staff and 260 days for classified staff. Upon retirement, payment is made for one fourth of the accrued, but unused sick leave credit, up to a maximum of 57 days for certified employees and 58 days for classified employees.

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 13 - Long - Term Liabilities

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

	Principal Outstanding 6/30/04	Additions	Reductions	Principal Outstanding 6/30/05	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2004 Current Interest Bonds	6,005,000	0	400,000	5,605,000	435,000
2004 Capital Appreciation Bonds	538,888	0	0	538,888	0
Capital Leases payable	105,400	0	55,421	49,979	32,191
Sick Leave	1,066,512	98,266	0	1,164,778	163,329
Total Governmental Activities Long-Term Liabilities	<u>\$7,715,800</u>	<u>\$98,266</u>	<u>\$455,421</u>	<u>\$7,358,645</u>	<u>\$630,520</u>

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

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

During 2005, the District made a \$295,000 payment on the refunded bonds. The amount is reported as principal retirement in the debt service fund. The District refunded the 1992 general obligation bonds to reduce its total debt service over the next 13 years by \$981,276 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$746,400.

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 13 - Long - Term Liabilities (Continued)

At June 30, 2005, the School District's overall legal debt margin was \$33,898,527 with an unvoted debt margin of \$442,763. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$435,000	\$200,416	\$635,416	\$0	\$0	\$0
2007	445,000	189,416	634,416	0	0	0
2008	455,000	177,029	632,029	0	0	0
2009	470,000	162,273	632,273	0	0	0
2010	480,000	145,941	625,941	0	0	0
2010-2014	1,600,000	512,003	2,112,003	538,888	551,112	1,090,000
2015-2017	1,720,000	114,077	1,834,077	0	0	0
Total	\$5,605,000	\$1,501,555	\$7,106,555	\$538,888	\$551,112	\$1,090,000

Note 14 - Capitalized Leases - Lessee Disclosure

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Lease Payments
2006	\$36,604
2007	13,828
2008	2,440
Total minimum lease payments	52,872
Less: amount representing interest	(2,893)
Present value of minimum lease payments	\$49,979

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 15 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

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

Note 17 - Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

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

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

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 17 - Jointly Governed Organizations and Public Entity Risk Pool (Continued)

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

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

B. Public Entity Risk Pool

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

Note 18 – Contractual Commitments

As of June 30, 2005, the School District had no contractual commitments.

Note 19 - Set-Aside Calculations

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

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

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2004	(\$1,289,300)	\$0
Current Year Set-aside Requirement	448,014	448,014
Offsets	0	(158,386)
Qualifying Disbursements	(571,366)	(337,077)
Totals	<u>(\$1,412,652)</u>	<u>(\$47,449)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,412,652)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>

New Philadelphia City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 19 - Set-Aside Calculations (Continued)

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

Note 20 – Legal Compliance

A. Deficit Fund Balances

The Public Preschool, Ohio Reads, Title IV-B, Title I, Title V, Food service and Drug Free Grant Funds had deficit balances as of June 30, 2005 of \$12,463, \$3,911, \$1,368, \$16,583, \$5,794, \$17,591 and \$162. These deficits arose due to the recognition of accrued liabilities and will be made up in the next fiscal year once state and federal grants are allocated.

Note 21 – Quaker Digital Academy

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

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**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution Program	N/A	10.550		\$38,748		\$38,748
School Breakfast Program	044487-05-PU	10.553	\$13,179		\$13,179	
National School Lunch Program	044487-04-PU	10.555	235,431		235,431	
Total U.S. Department of Agriculture - Nutrition Cluster			248,610	38,748	248,610	38,748
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster: Special Education Grants to States (IDEA Part B)	044487-6B-SF-05 044487-6B-SF-04	84.027	584,211 45,082		577,319 51,491	
Total Special Education Grants to States			629,293	0	628,810	0
Special Education - Preschool Grant	044487-PG-S1-05 044487-PG-S1-04	84.173	36,306 6,280		35,614 6,644	
Total Special Education - Preschool Grant			42,586	0	42,258	0
Total Special Education Cluster			671,879	0	671,068	0
Grants to Local Educational Agencies (ESEA Title I)	044487-C1-S1-05 044487-C1-S1-04 044487-C1-SD-05	84.010	313,253 2,762 19,692		302,417 54,396 22,596	
Total Grants to Local Educational Agencies			335,707	0	379,409	0
Innovative Educational Program Strategies (Title V)	04487-C2-S1-05 04487-C2-S1-04	84.298	15,058 2,196		20,668	
Total Innovative Educational Program St. (Title V)			17,254	0	20,668	0
Drug-Free Schools Grant	044487-DR-S1-05 044487-DR-S1-04	84.186	10,117 1,364		11,499	
Total Drug-Free Schools Grant			11,481	0	11,499	0
Class Size Reduction	044487-CR-S1-05	84.340	6,015		5,288	
Teacher Quality	044487-TR-S1-05 044487-TR-S1-04	84.367	127,254 15,503		135,382 20,817	
Total Teacher Quality			142,757	0	156,199	0
Total Department of Education			1,185,093	0	1,244,131	0
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed through the Ohio Department of Homeland Security</i>						
Public Assistance Grants	N/A	97.036	21,267		21,267	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid Assistance Program	N/A	93.778	68,375	0	60,221	0
Totals			\$1,523,345	\$38,748	\$1,574,229	\$38,748

The accompanying notes to this schedule are an integral part of this schedule.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the New Philadelphia City School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2005 wherein the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

In a separate letter to the District's management dated December 5, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

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

In a separate letter to the District's management dated December 5, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

Betty Montgomery
Auditor of State

December 5, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the New Philadelphia City School District, Tuscarawas County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the New Philadelphia City School District, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

December 5, 2005

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA #84.027 and #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	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.

**NEW PHILADELPHIA CITY SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 9.39 – a Finding for Recover was issued against the Athletic Director for athletic gate admissions shortages.	Yes	Finding No Longer Valid
2004-002	Ohio Rev. Code Section 5705.41(B) – expenditures plus encumbrances exceeded appropriations in the Debt Service Fund at year-end.	Yes	Finding No Longer Valid
2004-003	Reportable Condition–Athletics – several deficiencies were noted relating to athletic gate collections.	Yes	Finding No Longer Valid



**Auditor of State
Betty Montgomery**

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NEW PHILADELPHIA CITY SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2005**