

City of New Philadelphia
Tuscarawas County, Ohio

Audited Financial Statements

December 31, 2011



Dave Yost • Auditor of State

Honorable Mayor and City Council
City of New Philadelphia
150 East High Avenue
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of the City of New Philadelphia, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of New Philadelphia is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

July 12, 2012

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

DECEMBER 31, 2011

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**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

DECEMBER 31, 2011

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May 8, 2012

To The Honorable Mayor and City Council
City of New Philadelphia
150 East High Avenue
New Philadelphia, Ohio 44663

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Ohio, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Ohio, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and safety forces operation fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hea & Associates, Inc.

City of New Philadelphia
Management's Discussion and Analysis
For the Year Ended December 31, 2011

The discussion and analysis of the City of New Philadelphia's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General revenues accounted for \$11,650,020 in revenue or 57 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$8,616,731 or 43 percent of total revenues of \$20,266,751.
- Total program expenses were \$19,120,873; \$13,330,470 in governmental activities and \$5,790,403 in business-type activities.
- In total, net assets increased \$647,503. Net assets of governmental activities increased \$412,129 which represents a 1.3 percent increase from 2010. Net assets of business-type activities increased \$235,374 or 1.3 percent from 2010.
- Outstanding debt decreased from \$9,406,933 to \$8,690,412 through principal payments on debt.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2011 and how they affected the operations of the City as a whole.

Reporting the City of New Philadelphia as a Whole

Statement of Net Assets and the Statement of Activities

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

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

A question typically asked about the City's finances "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the City of New Philadelphia's Most Significant Funds

Fund Financial Statements

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

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

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

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

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

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

The City of New Philadelphia as a Whole

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

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

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$ 10,600,757	\$ 11,156,044	\$ 4,021,014	\$ 4,096,512	\$ 14,621,771	\$ 15,252,556
Capital Assets	27,159,978	26,379,394	22,184,904	22,615,186	49,344,882	48,994,580
<i>Total Assets</i>	37,760,735	37,535,438	26,205,918	26,711,698	63,966,653	64,247,136
Liabilities						
Long-Term Liabilities	2,750,889	2,940,943	7,234,009	7,913,197	9,984,898	10,854,140
Other Liabilities	1,882,560	1,879,338	300,000	361,966	2,182,560	2,241,304
<i>Total Liabilities</i>	4,633,449	4,820,281	7,534,009	8,275,163	12,167,458	13,095,444
Net Assets						
Invested in Capital						
Assets, Net of Debt	25,495,819	24,547,819	16,106,972	15,977,539	41,602,791	40,525,358
Restricted	3,610,744	5,495,007	0	0	3,610,744	5,495,007
Unrestricted	4,020,723	2,672,331	2,564,937	2,458,996	6,585,660	5,131,327
<i>Total Net Assets</i>	\$ 33,127,286	\$ 32,715,157	\$ 18,671,909	\$ 18,436,535	\$ 51,799,195	\$ 51,151,692

Total assets decreased by \$280,483 with governmental assets increasing \$225,297 and business-type assets decreasing \$505,780. The majority of the increase in governmental activities can be attributed to an increase in capital assets. An increase of \$350,302 in total capital assets reflects additions of capital assets exceeding depreciation expense. A large project spanning several years was completed and placed in service before the end of 2011. Two more projects were undertaken, one being the third phase of the airport rehabilitation project and one being the Robinson Drive pump station project. The majority of the decrease in business-type activities can be attributed to a decrease in intergovernmental receivable and depreciation exceeding capital asset additions. Total liabilities decreased by \$927,986 with governmental liabilities decreasing \$186,832 and business-type liabilities decreasing \$741,154. Contracts payable liability decreased as well as long-term liabilities. The decrease in long-term liabilities can be attributed to principal payments on debt.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

Total net assets increased by \$647,503. This number reflects an increase of \$412,129 in governmental activities and an increase of \$235,374 in the net assets of the business-type activities. Table 2 shows the changes in net assets for fiscal year 2011 and 2010. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,947,035	\$ 1,989,468	\$ 5,820,172	\$ 5,920,723	\$ 7,767,207	\$ 7,910,191
Operating Grants	819,747	1,486,055	0	387,435	819,747	1,873,490
Capital Grants	29,777	2,069,795	0	631,660	29,777	2,701,455
<i>General Revenues:</i>						
Property Taxes	1,065,791	1,109,737	3,660	350	1,069,451	1,110,087
Income Taxes	6,323,040	6,095,136	0	0	6,323,040	6,095,136
Grants and Entitlements	4,068,513	1,453,277	0	0	4,068,513	1,453,277
Investment Earnings	4,997	5,905	0	0	4,997	5,905
Other	118,562	104,402	65,457	21,408	184,019	125,810
Total Revenues	14,377,462	14,313,775	5,889,289	6,961,576	20,266,751	21,275,351
Program Expenses						
General Government	3,537,468	3,353,049	0	0	3,537,468	3,353,049
Security of Persons and Property	5,050,760	4,619,642	0	0	5,050,760	4,619,642
Transportation	2,306,814	2,399,824	0	0	2,306,814	2,399,824
Public Health Services	744,211	644,113	0	0	744,211	644,113
Community and Economic Development	565,793	307,735	0	0	565,793	307,735
Leisure Time Activities	1,037,545	977,255	0	0	1,037,545	977,255
Interest and Fiscal Charges	87,879	94,753	0	0	87,879	94,753
<i>Enterprise Operations:</i>						
Water	0	0	2,415,334	2,362,274	2,415,334	2,362,274
Sewer	0	0	1,921,007	1,622,352	1,921,007	1,622,352
Sanitation	0	0	1,454,062	1,446,884	1,454,062	1,446,884
Total Program Expenses	13,330,470	12,396,371	5,790,403	5,431,510	19,120,873	17,827,881
Increase in Net Assets	1,046,992	1,917,404	98,886	1,530,066	1,145,878	3,447,470
Special Item	(498,375)	0	0	0	(498,375)	0
Transfers	(136,488)	(225,411)	136,488	225,411	0	0
Increase in Net Assets	412,129	1,691,993	235,374	1,755,477	647,503	3,447,470
Net Assets at Beginning of Year	32,715,157	31,023,164	18,436,535	16,681,058	51,151,692	47,704,222
Net Assets at End of Year	\$ 33,127,286	\$ 32,715,157	\$ 18,671,909	\$ 18,436,535	\$ 51,799,195	\$ 51,151,692

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

Governmental Activities

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

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

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

During 2011, the City received roughly \$1,200,000 in estate tax revenue with approximately \$2,000,000 due to the City at the end of 2011 which was received in March of 2012. At the end of 2010, there was a \$1,400,000 capital grant receivable from the Ohio Department of Transportation related to the city wide traffic signal design project which was completed and placed in service before the end of 2011. This explains the decrease in capital grant revenue from 2010 to 2011 and the large increase in grants and entitlements from 2010 to 2011.

General government represents the second largest expense of the governmental activities. This expense of \$3,537,468 represents 27 percent of the total expenses.

Police and fire (security of persons and property) represent the largest expense of the governmental activities. This expense of \$5,050,760 represents 38 percent of the total expenses. These two departments operate out of the General Fund and Safety Forces Operation Fund.

The City also maintains a cemetery (public health services) and a park (leisure time services) within the City. These areas had expenses of \$1,781,756 in 2011 equaling 13 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2011, charges for services of \$5,820,172 accounted for 99 percent of the business-type revenues. The total expenses for the utilities were \$5,790,403. The City had an increase in net assets of \$235,374 for the business-type activities.

In business-type activities, 2011 saw a decrease in operating and capital grant revenue as the City was involved in 2010 with a one-year recycling grant and the bulk of the Reiser Avenue pump station project was completed by the end of 2010.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

The City's Funds

Information about the City's governmental funds begins on page 14. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues (including other financing sources) of \$13,894,424 and expenditures (including other financing uses) of \$14,595,036.

The City's general fund balance increased by \$55,143, the safety forces operation fund balance increased by \$214,623 and the master capital fund balance decreased by \$315,019. The increase in fund balance in the general fund can be attributed to an increase in intergovernmental revenue. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The increase in the City's safety forces operation fund can be attributed to an increase in income tax revenue in the fund during 2011 and a slight decrease in expenditures for security of persons and property.

For the master capital fund, the decrease in fund balance can be attributed to the increase in capital outlay expenditures from 2010 to 2011. There was an increase in capital assets in 2011 which indicates that the City's additional purchases exceeded depreciation in 2011.

Information about the proprietary funds starts on page 20. These funds are accounted for on an accrual basis. All business-type funds had operating and non-operating expenses of \$5,790,403 which were less than operating and non-operating revenues and capital contributions of \$6,025,777, by \$235,374 or 4 percent of operating revenues.

General Fund Budgeting Highlights

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

During the course of 2011, the City amended its General fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the General fund, actual receipts of \$5,980,995 were greater than final budgeted revenues of \$5,350,000 by \$630,995. The primary factor contributing to this was that actual intergovernmental revenue was higher than the final budgeted amount. The amount of estate tax revenue actually received was more than what was anticipated in the final budget. The final budgeted revenue in the General fund was \$300,000 higher than what was anticipated in the original budget. This was primarily due to an increase in the amount budgeted for estate tax revenue.

Actual disbursements and other financing uses of the General fund of \$5,694,791 were \$521,741 lower than the final budgeted amount of \$6,216,532. The primary factors contributing to this was disbursements in the areas of general government and security of persons and property were below budgeted amounts. The final budgeted appropriations of \$6,216,532 were \$116,240 higher than the \$6,100,292 in the original budget. Final budgeted amounts in the areas of general government, leisure time services and transfers out were higher than original budgeted amounts.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

Capital Asset and Debt Administration

Capital Assets

At the end of 2011, the City had \$49,344,882 invested in land, construction in progress, buildings, improvements, equipment, infrastructure and vehicles. A total of \$27,159,978 of this was for governmental activities with the remainder of \$22,184,904 being attributable to business-type activities. Table 3 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 816,583	\$ 816,583	\$ 51,892	\$ 51,892	\$ 868,475	\$ 868,475
Buildings and Building Improvements	3,894,397	3,950,450	4,390,619	4,585,515	8,285,016	8,535,965
Improvements Other Than Buildings	3,094,992	3,241,346	4,956,160	5,151,085	8,051,152	8,392,431
Machinery and Equipment	2,111,945	773,378	783,554	666,897	2,895,499	1,440,275
Furniture and Fixtures	17,351	19,100	1,028	1,028	18,379	20,128
Vehicles	2,109,436	1,810,612	775,727	548,371	2,885,163	2,358,983
Construction in Progress	28,958	361,203	27,800	0	56,758	361,203
Infrastructure	15,086,316	15,406,722	0	0	15,086,316	15,406,722
Water Lines	0	0	7,081,575	7,381,435	7,081,575	7,381,435
Sewer Lines	0	0	4,116,549	4,228,963	4,116,549	4,228,963
Totals	\$ 27,159,978	\$ 26,379,394	\$ 22,184,904	\$ 22,615,186	\$ 49,344,882	\$ 48,994,580

The \$350,302 increase in total capital assets was attributable to additional purchases exceeding depreciation expense in governmental activities. Note 9 provides capital asset activity during 2011.

Debt

The outstanding debt for the City of New Philadelphia as of December 31, 2011 was \$8,690,412 with \$697,690 due within one year. Table 4 summarizes outstanding debt.

(Table 4)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 1,625,000	\$ 1,755,000	\$ 0	\$ 0	\$ 1,625,000	\$ 1,755,000
OPWC Loans	0	0	334,722	382,573	334,722	382,573
OWDA Loans	0	0	6,730,690	7,269,360	6,730,690	7,269,360
Total	\$ 1,625,000	\$ 1,755,000	\$ 7,065,412	\$ 7,651,933	\$ 8,690,412	\$ 9,406,933

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

The general obligation bonds are city improvement bonds.

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

Current Financial Issues

The City of New Philadelphia took a concerted effort in closely monitoring revenue and expenses in 2011. Income tax revenue increased in 2011 as compared to 2010, illustrating a two-year trend with movement toward growth as compared to lower revenues in 2009. As unemployment further declined in the county, this outcome further supports the fact that more people are paying income taxes. Although gross revenue for the City increased in 2011 from 2010, gross expenditures in 2011 played a contrasting role. Specifically, 2011 showed a gross expenditure increase over gross revenue by less than 1% indicating a good job of operating within revenue and carryover balances.

City utility rates increased in 2011 with the sole focus being that of increasing sewer revenue by 50 cents per month for minimum users, or 4% for those over the minimum. This increase was earmarked for the sewer improvement fund to provide money to repair, upgrade, and/or add sewer lines or plant fixtures. The additional monies generated by the increase will not be used for day-to-day operating expenses. Utility rates are analyzed annually by the Service Director, who provides recommendations for any changes to ensure expected revenue covers operating expenses.

Income tax revenue increased by 3.5% in 2011 as compared to 2010. General fund revenue also increased in 2011; however, this was primarily due to unexpected estate tax windfalls received by the City. Without these estate tax windfalls, the General fund revenue would have decreased in 2011. Many of the General fund revenue sources declined in 2011 as compared to 2010. With the anticipated cuts in local government funds, it is expected that the General Fund will be strained without other sources of revenue offsetting these declines. It is anticipated that Income Tax funds will continue to grow in concert with growth in the economy.

The Oil and Gas Industry promises increased activity in 2012 and beyond, which will have a positive impact on business growth in the City. At present, workers in this industry have positively affected our hotel, restaurant, gasoline stations, and other local businesses. This positive impact lends itself to increased job growth with the announcement by this industry of the need for skilled support staff in oil and gas positions. The anticipated outcome is the realization of additional jobs in the county. The City anticipates that some of those positions might be filled by residents from New Philadelphia.

The anticipated ground breaking for the Tolloty Incubator Building at Tech Park should come to fruition in 2012. Funding is in place and the architects are working on the plans. This will be a great addition to the business community and the start of development in Tech Park.

Both retail businesses in the downtown area, as well as New Towne Mall, seem to be maintaining continuity. Although there are more vacancies in the downtown area than desired, the mall is certainly experiencing stability and is close to full occupancy. Local manufacturers including Gradall, Howden Buffalo, and Kimble Mixer are experiencing improved sales and production, a clear sign for a positive outlook for the future.

City of New Philadelphia
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2011

In 2011, the City completed many projects of various magnitudes. The City's annual CDBG project, specifically targeted for LMI neighborhoods, was completed in the 200 block of Ray Avenue NW near Central Elementary. Additionally, plans were made to start a lift station upgrade in the Knisely Industrial Park using a grant awarded through the Ohio Public Works Commission. The City also concentrated on replacing curb radius, sidewalks, etc., throughout the City as well as focusing attention on small storm water projects to address long-term, troublesome problems in the City. The fire department refurbished its engine and purchased a new ambulance. Discussions are underway to determine a possible solution regarding relocation and/or possible construction of a new main fire station. Part of the existing station is over 100 years old and was not originally designed to accommodate the equipment of today's fire apparatus. The stress on the station from this new apparatus is showing its wear.

City operations as a whole went well in 2011. In 2012, it is anticipated that the City will experience growth in the employment and business communities. Close scrutiny of revenue and expenses on a daily basis is imperative as 2012 will be the first year of the City losing over \$200,000 in local revenue funds due to cut-backs instituted by the Ohio Legislature. Management is confident that they can weather the financial challenges that may come, and are committed to being good stewards of the tax dollars entrusted to the City.

Contacting the City's Finance Department

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

City of New Philadelphia
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 4,192,433	\$ 2,952,780	\$ 7,145,213
Investment in Segregated Accounts	93,025	0	93,025
Accounts Receivable	229,500	694,770	924,270
Intergovernmental Receivable	3,173,157	0	3,173,157
Taxes Receivable	2,701,767	0	2,701,767
Materials and Supplies Inventory	210,875	373,464	584,339
Non-Depreciable Capital Assets	845,541	79,692	925,233
Depreciable Capital Assets, Net	26,314,437	22,105,212	48,419,649
<i>Total Assets</i>	<u>37,760,735</u>	<u>26,205,918</u>	<u>63,966,653</u>
Liabilities			
Accounts Payable	98,035	88,414	186,449
Accrued Wages	93,566	31,519	125,085
Contracts Payable	169,531	0	169,531
Intergovernmental Payable	400,350	84,906	485,256
Undistributed Monies	644	0	644
Accrued Interest Payable	6,589	19,324	25,913
Deferred Revenue	994,435	0	994,435
Accrued Vacation Leave Payable	113,321	57,340	170,661
Matured Compensated Absences Payable	6,089	18,497	24,586
Long-Term Liabilities:			
Due Within One Year	566,875	597,882	1,164,757
Due in More Than One Year	2,184,014	6,636,127	8,820,141
<i>Total Liabilities</i>	<u>4,633,449</u>	<u>7,534,009</u>	<u>12,167,458</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	25,495,819	16,106,972	41,602,791
Restricted for Debt Service	81,203	0	81,203
Restricted for Capital Outlay	1,133,843	0	1,133,843
Restricted for Other Purposes	2,395,698	0	2,395,698
Unrestricted	4,020,723	2,564,937	6,585,660
<i>Total Net Assets</i>	<u>\$ 33,127,286</u>	<u>\$ 18,671,909</u>	<u>\$ 51,799,195</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,537,468	\$ 878,075	\$ 832	\$ 0	\$ (2,658,561)	\$ 0	\$ (2,658,561)
Security of Persons and Property	5,050,760	492,184	32,775	2,500	(4,523,301)	0	(4,523,301)
Public Health	744,211	157,956	13,198	0	(573,057)	0	(573,057)
Leisure Time Services	1,037,545	106,980	0	0	(930,565)	0	(930,565)
Community and Economic Development	565,793	190,916	0	22,749	(352,128)	0	(352,128)
Transportation	2,306,814	120,924	772,942	4,528	(1,408,420)	0	(1,408,420)
Interest and Fiscal Charges	87,879	0	0	0	(87,879)	0	(87,879)
<i>Total Governmental Activities</i>	<u>13,330,470</u>	<u>1,947,035</u>	<u>819,747</u>	<u>29,777</u>	<u>(10,533,911)</u>	<u>0</u>	<u>(10,533,911)</u>
Business-Type Activities							
Sanitation	1,454,062	1,372,555	0	0	0	(81,507)	(81,507)
Water	2,415,334	2,321,697	0	0	0	(93,637)	(93,637)
Sewer	1,921,007	2,125,920	0	0	0	204,913	204,913
<i>Total Business-Type Activities</i>	<u>5,790,403</u>	<u>5,820,172</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,769</u>	<u>29,769</u>
<i>Total Primary Government</i>	<u>\$ 19,120,873</u>	<u>\$ 7,767,207</u>	<u>\$ 819,747</u>	<u>\$ 29,777</u>	<u>(10,533,911)</u>	<u>29,769</u>	<u>(10,504,142)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					897,341	0	897,341
Other Purposes					168,450	3,660	172,110
Income Taxes Levied for:							
General Purposes					2,677,104	0	2,677,104
Safety Forces Operation					2,115,062	0	2,115,062
Capital Projects					392,729	0	392,729
Other Purposes					1,138,145	0	1,138,145
Grants and Entitlements not Restricted to Specific Programs					4,068,513	0	4,068,513
Investment Earnings					4,997	0	4,997
Miscellaneous					118,562	65,457	184,019
<i>Total General Revenues</i>					<u>11,580,903</u>	<u>69,117</u>	<u>11,650,020</u>
Special Item (Note 2,O)					(498,375)	0	(498,375)
Transfers					(136,488)	136,488	0
<i>Total General Revenues, Special Item and Transfers</i>					<u>10,946,040</u>	<u>205,605</u>	<u>11,151,645</u>
<i>Change in Net Assets</i>					412,129	235,374	647,503
<i>Net Assets Beginning of Year</i>					<u>32,715,157</u>	<u>18,436,535</u>	<u>51,151,692</u>
<i>Net Assets End of Year</i>					<u>\$ 33,127,286</u>	<u>\$ 18,671,909</u>	<u>\$ 51,799,195</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Balance Sheet
Governmental Funds
December 31, 2011

	General	Safety Forces Operation	Master Capital	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 1,604,416	\$ 292,676	\$ 789,112	\$ 1,506,229	\$ 4,192,433
Investment in Segregated Accounts	0	0	0	93,025	93,025
Accounts Receivable	38,697	0	0	190,803	229,500
Intergovernmental Receivable	2,397,784	0	118,007	657,366	3,173,157
Taxes Receivable	1,442,731	555,568	187,557	515,911	2,701,767
Materials and Supplies Inventory	74,158	0	0	136,717	210,875
<i>Total Assets</i>	<u>\$ 5,557,786</u>	<u>\$ 848,244</u>	<u>\$ 1,094,676</u>	<u>\$ 3,100,051</u>	<u>\$ 10,600,757</u>
Liabilities					
Accounts Payable	\$ 58,632	\$ 3,901	\$ 0	\$ 35,502	\$ 98,035
Accrued Wages	71,881	0	0	21,685	93,566
Contracts Payable	2,821	0	149,298	17,412	169,531
Intergovernmental Payable	265,744	92,130	0	42,476	400,350
Undistributed Monies	0	0	0	644	644
Deferred Revenue	3,319,543	156,885	170,315	751,890	4,398,633
Matured Compensated Absences Payable	1,601	4,488	0	0	6,089
<i>Total Liabilities</i>	<u>3,720,222</u>	<u>257,404</u>	<u>319,613</u>	<u>869,609</u>	<u>5,166,848</u>
Fund Balances					
Nonspendable	102,234	0	0	136,717	238,951
Restricted	0	590,840	775,063	1,722,049	3,087,952
Committed	0	0	0	371,676	371,676
Assigned	52,045	0	0	0	52,045
Unassigned	1,683,285	0	0	0	1,683,285
<i>Total Fund Balances</i>	<u>1,837,564</u>	<u>590,840</u>	<u>775,063</u>	<u>2,230,442</u>	<u>5,433,909</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,557,786</u>	<u>\$ 848,244</u>	<u>\$ 1,094,676</u>	<u>\$ 3,100,051</u>	<u>\$ 10,600,757</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2011*

Total Governmental Fund Balances \$ 5,433,909

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 27,159,978

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

Property Taxes	\$ 42,834
Income Tax	474,115
Intergovernmental	2,884,427
Charges for Services	<u>2,822</u>

Total 3,404,198

Accrued interest payable is not due and payable in the current
 period and therefore is not reported in the funds. (6,589)

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

General Obligation Bonds	(1,625,000)
Capital Leases	(39,159)
Accrued Vacation Leave Payable	(113,321)
Compensated Absences	<u>(1,086,730)</u>

Total (2,864,210)

Net Assets of Governmental Activities \$ 33,127,286

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Safety Forces Operation	Master Capital	All Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 894,139	\$ 0	\$ 0	\$ 167,848	\$ 1,061,987
Income Taxes	2,680,543	2,115,062	402,364	1,111,301	6,309,270
Special Assessments	7,584	0	0	0	7,584
Charges for Services	214,358	0	0	513,478	727,836
Licenses and Permits	20,173	0	0	329,040	349,213
Fines and Forfeitures	265,846	0	0	579,523	845,369
Intergovernmental	2,131,203	0	806,171	1,270,114	4,207,488
Interest	4,997	0	0	1,632	6,629
Rent	83,148	0	0	0	83,148
Contributions and Donations	11,618	0	0	0	11,618
Other	60,159	0	2,345	56,058	118,562
<i>Total Revenues</i>	<u>6,373,768</u>	<u>2,115,062</u>	<u>1,210,880</u>	<u>4,028,994</u>	<u>13,728,704</u>
Expenditures					
Current:					
General Government	2,719,955	0	0	733,171	3,453,126
Security of Persons and Property	2,230,991	1,876,439	0	819,212	4,926,642
Public Health	273,160	0	0	403,780	676,940
Leisure Time Services	723,838	0	0	11,578	735,416
Community and Economic Development	0	0	0	443,749	443,749
Transportation	45,241	0	0	1,246,224	1,291,465
Capital Outlay	120,455	24,000	1,525,899	975,852	2,646,206
Debt Service:					
Principal Retirement	37,416	0	0	130,000	167,416
Interest and Fiscal Charges	3,569	0	0	84,787	88,356
<i>Total Expenditures</i>	<u>6,154,625</u>	<u>1,900,439</u>	<u>1,525,899</u>	<u>4,848,353</u>	<u>14,429,316</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>219,143</u>	<u>214,623</u>	<u>(315,019)</u>	<u>(819,359)</u>	<u>(700,612)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	165,720	165,720
Transfers Out	(164,000)	0	0	(1,720)	(165,720)
<i>Total Other Financing Sources (Uses)</i>	<u>(164,000)</u>	<u>0</u>	<u>0</u>	<u>164,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	55,143	214,623	(315,019)	(655,359)	(700,612)
<i>Fund Balance Beginning of Year (Restated, See Note 3)</i>	<u>1,782,421</u>	<u>376,217</u>	<u>1,090,082</u>	<u>2,885,801</u>	<u>6,134,521</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,837,564</u>	<u>\$ 590,840</u>	<u>\$ 775,063</u>	<u>\$ 2,230,442</u>	<u>\$ 5,433,909</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011*

Net Change in Fund Balances - Total Governmental Funds		\$ (700,612)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,191,691	
Current Year Depreciation	<u>(1,288,240)</u>	
Total		903,451
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(122,867)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	3,805	
Income Tax	13,770	
Intergovernmental	191,339	
Charges for Services	<u>(58,531)</u>	
Total		150,383
Repayment of bond principal and capital lease principal payments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		167,416
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		477
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable	(8,757)	
Compensated Absences	<u>22,638</u>	
Total		<u>13,881</u>
<i>Change in Net Assets of Governmental Activities</i>		<u>\$ 412,129</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 1,031,500	\$ 911,500	\$ 894,139	\$ (17,361)
Income Taxes	2,262,875	2,262,875	2,260,979	(1,896)
Special Assessments	0	0	7,584	7,584
Charges for Services	128,100	131,000	128,306	(2,694)
Licenses and Permits	5,000	20,000	20,173	173
Fines and Forfeitures	345,700	270,350	267,559	(2,791)
Intergovernmental	1,048,150	1,595,875	2,209,358	613,483
Interest	60,000	10,000	4,997	(5,003)
Rent	60,000	55,000	46,995	(8,005)
Contributions and Donations	3,730	10,500	11,618	1,118
Other	104,945	82,900	129,287	46,387
<i>Total Revenues</i>	<u>5,050,000</u>	<u>5,350,000</u>	<u>5,980,995</u>	<u>630,995</u>
Expenditures				
Current:				
General Government	2,504,882	2,532,082	2,302,176	229,906
Security of Persons and Property	2,184,066	2,194,066	2,054,406	139,660
Public Health	285,449	285,449	280,404	5,045
Leisure Time Services	769,363	797,363	738,961	58,402
Transportation	56,440	52,480	49,197	3,283
Capital Outlay	84,100	84,100	64,662	19,438
Debt Service:				
Principal Retirement	37,417	37,417	37,416	1
Interest and Fiscal Charges	3,575	3,575	3,569	6
<i>Total Expenditures</i>	<u>5,925,292</u>	<u>5,986,532</u>	<u>5,530,791</u>	<u>455,741</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(875,292)</u>	<u>(636,532)</u>	<u>450,204</u>	<u>1,086,736</u>
Other Financing Sources (Uses)				
Transfers Out	(175,000)	(230,000)	(164,000)	66,000
<i>Net Change in Fund Balance</i>	(1,050,292)	(866,532)	286,204	1,152,736
<i>Fund Balance Beginning of Year</i>	1,104,546	1,104,546	1,104,546	0
Prior Year Encumbrances Appropriated	93,029	93,029	93,029	0
<i>Fund Balance End of Year</i>	<u>\$ 147,283</u>	<u>\$ 331,043</u>	<u>\$ 1,483,779</u>	<u>\$ 1,152,736</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
*Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Operation Fund
For the Year Ended December 31, 2011*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Income Taxes	\$ 2,000,000	\$ 2,000,000	\$ 2,128,133	\$ 128,133
<i>Total Revenues</i>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,128,133</u>	<u>128,133</u>
Expenditures				
Current:				
Security of Persons and Property	2,130,160	2,130,045	2,048,093	81,952
Capital Outlay	39,000	39,000	24,000	15,000
<i>Total Expenditures</i>	<u>2,169,160</u>	<u>2,169,045</u>	<u>2,072,093</u>	<u>96,952</u>
<i>Net Change in Fund Balance</i>	(169,160)	(169,045)	56,040	225,085
<i>Fund Balance Beginning of Year</i>	205,648	205,648	205,648	0
Prior Year Encumbrances Appropriated	16,030	16,030	16,030	0
<i>Fund Balance End of Year</i>	<u>\$ 52,518</u>	<u>\$ 52,633</u>	<u>\$ 277,718</u>	<u>\$ 225,085</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 1,416,416	\$ 813,300	\$ 723,064	\$ 2,952,780
Accounts Receivable	354,548	335,206	5,016	694,770
Materials and Supplies Inventory	355,419	7,627	10,418	373,464
<i>Total Current Assets</i>	<u>2,126,383</u>	<u>1,156,133</u>	<u>738,498</u>	<u>4,021,014</u>
<i>Non-Current Assets:</i>				
Non-Depreciable Capital Assets	6,845	62,854	9,993	79,692
Depreciable Capital Assets, Net	9,791,664	11,791,836	521,712	22,105,212
<i>Total Non-Current Assets</i>	<u>9,798,509</u>	<u>11,854,690</u>	<u>531,705</u>	<u>22,184,904</u>
<i>Total Assets</i>	<u>11,924,892</u>	<u>13,010,823</u>	<u>1,270,203</u>	<u>26,205,918</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	25,685	19,723	43,006	88,414
Accrued Wages	14,281	10,026	7,212	31,519
Intergovernmental Payable	36,064	26,386	22,456	84,906
Matured Compensated Absences Payable	18,497	0	0	18,497
Accrued Vacation Leave Payable	29,814	18,721	8,805	57,340
Accrued Interest Payable	0	19,324	0	19,324
Compensated Absences Payable	9,176	12,204	8,812	30,192
OPWC Loans Payable	5,000	21,540	0	26,540
OWDA Loans Payable	0	541,150	0	541,150
<i>Total Current Liabilities</i>	<u>138,517</u>	<u>669,074</u>	<u>90,291</u>	<u>897,882</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	69,014	46,854	22,537	138,405
OPWC Loans Payable - Net of Current Portion	62,500	245,682	0	308,182
OWDA Loans Payable - Net of Current Portion	0	6,189,540	0	6,189,540
<i>Total Long-Term Liabilities</i>	<u>131,514</u>	<u>6,482,076</u>	<u>22,537</u>	<u>6,636,127</u>
<i>Total Liabilities</i>	<u>270,031</u>	<u>7,151,150</u>	<u>112,828</u>	<u>7,534,009</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,731,009	5,844,258	531,705	16,106,972
Unrestricted	1,923,852	15,415	625,670	2,564,937
<i>Total Net Assets</i>	<u>\$ 11,654,861</u>	<u>\$ 5,859,673</u>	<u>\$ 1,157,375</u>	<u>\$ 18,671,909</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Operating Revenues				
Charges for Services	\$ 2,321,697	\$ 2,125,920	\$ 1,372,555	\$ 5,820,172
Other	39,649	19,767	5,016	64,432
<i>Total Operating Revenues</i>	<u>2,361,346</u>	<u>2,145,687</u>	<u>1,377,571</u>	<u>5,884,604</u>
Operating Expenses				
Salaries and Wages	760,020	529,724	539,581	1,829,325
Fringe Benefits	310,192	260,599	235,075	805,866
Contractual Services	402,883	453,054	508,405	1,364,342
Materials and Supplies	490,836	123,747	137,269	751,852
Depreciation	451,403	512,681	33,732	997,816
<i>Total Operating Expenses</i>	<u>2,415,334</u>	<u>1,879,805</u>	<u>1,454,062</u>	<u>5,749,201</u>
<i>Operating Income (Loss)</i>	<u>(53,988)</u>	<u>265,882</u>	<u>(76,491)</u>	<u>135,403</u>
Non-Operating Revenues (Expense)				
Property Taxes	31	0	3,629	3,660
Other Non-Operating	0	1,025	0	1,025
Interest and Fiscal Charges	0	(41,202)	0	(41,202)
<i>Total Non-Operating Revenues (Expense)</i>	<u>31</u>	<u>(40,177)</u>	<u>3,629</u>	<u>(36,517)</u>
<i>Income (Loss) Before Contributions</i>	(53,957)	225,705	(72,862)	98,886
Capital Contributions	0	136,488	0	136,488
<i>Change in Net Assets</i>	(53,957)	362,193	(72,862)	235,374
<i>Net Assets Beginning of Year</i>	<u>11,708,818</u>	<u>5,497,480</u>	<u>1,230,237</u>	<u>18,436,535</u>
<i>Net Assets End of Year</i>	<u>\$ 11,654,861</u>	<u>\$ 5,859,673</u>	<u>\$ 1,157,375</u>	<u>\$ 18,671,909</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Increase (Decrease) in Cash and Investments				
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,321,234	\$ 2,116,785	\$ 1,374,671	\$ 5,812,690
Other Operating Receipts	27,454	19,767	0	47,221
Cash Payments to Suppliers for Goods and Services	(459,422)	(128,648)	(135,100)	(723,170)
Cash Payments to Employees	(1,074,756)	(796,214)	(786,624)	(2,657,594)
Cash Payments for Contractual Services	(408,812)	(345,727)	(509,355)	(1,263,894)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>405,698</u>	<u>865,963</u>	<u>(56,408)</u>	<u>1,215,253</u>
Cash Flows from Noncapital Financing Activities				
Intergovernmental Revenue	0	0	175,514	175,514
Other Non-Operating Receipts	0	1,025	0	1,025
Property Taxes	31	0	3,629	3,660
Principal Payments on Debt	0	(84,082)	0	(84,082)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>31</u>	<u>(83,057)</u>	<u>179,143</u>	<u>96,117</u>
Cash Flows from Capital and Related Financing Activities				
Intergovernmental Revenue	0	184,699	0	184,699
Acquisition of Capital Assets	(53,678)	(271,167)	(276,623)	(601,468)
Principal Payments on Debt	(9,292)	(550,423)	0	(559,715)
Interest Payments on Debt	0	(42,433)	0	(42,433)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(62,970)</u>	<u>(679,324)</u>	<u>(276,623)</u>	<u>(1,018,917)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	342,759	103,582	(153,888)	292,453
<i>Cash and Investments Beginning of Year</i>	<u>1,073,657</u>	<u>709,718</u>	<u>876,952</u>	<u>2,660,327</u>
<i>Cash and Investments End of Year</i>	<u>\$ 1,416,416</u>	<u>\$ 813,300</u>	<u>\$ 723,064</u>	<u>\$ 2,952,780</u>

(Continued)

City of New Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ (53,988)	\$ 265,882	\$ (76,491)	\$ 135,403
Adjustments:				
Depreciation	451,403	512,681	33,732	997,816
Loss on Disposal of Capital Assets	0	110,874	0	110,874
(Increase) Decrease in Assets:				
Accounts Receivable	(12,658)	(9,135)	(2,900)	(24,693)
Materials and Supplies Inventory	28,236	2,026	2,169	32,431
Increase (Decrease) in Liabilities:				
Accounts Payable	(2,751)	(10,474)	(950)	(14,175)
Accrued Wages	562	645	(2,232)	(1,025)
Accrued Vacation Leave Payable	(7,521)	(3,306)	(634)	(11,461)
Compensated Absences Payable	(19,805)	(5,956)	(9,630)	(35,391)
Matured Compensated Absences Payable	18,497	0	0	18,497
Intergovernmental Payable	3,723	2,726	528	6,977
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 405,698</u>	<u>\$ 865,963</u>	<u>\$ (56,408)</u>	<u>\$ 1,215,253</u>

Noncash Capital Financing Activities:

During 2011, capital assets were contributed by governmental activities to the sewer enterprise fund in the amount of \$136,488.

See accompanying notes to the basic financial statements.

City of New Philadelphia
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Investments	\$ 76,217
Investments in Segregated Accounts	152,559
Accounts Receivable	<u>1,973</u>
<i>Total Assets</i>	<u>\$ 230,749</u>
Liabilities	
Undistributed Monies	<u>\$ 230,749</u>

See accompanying notes to the basic financial statements.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 1: REPORTING ENTITY

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

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

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

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

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

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

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

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Investmentss

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

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

During 2011, investments were limited to STAROhio, (the State Treasury Asset Reserve of Ohio), a mutual fund and money market accounts.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amounted to \$4,997, which includes \$4,026 assigned from other City funds.

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

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

F. Materials and Supplies Inventory

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

G. Capital Assets

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

H. Compensated Absences

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2011, \$127,568 of the City's net assets were restricted by enabling legislation.

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

K. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City.

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

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

L. Operating Revenues and Expenses

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

M. Contributions of Capital

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

N. Interfund Activity

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. During 2011, the City had no extraordinary items. During 2011, the Ohio Department of Transportation grant for the traffic signal project was decreased by \$498,375. Since the \$498,375 was recognized as revenue and a receivable on the government-wide financial statements in a prior year, the decrease in the grant has been reported as a special item on the Statement of Activities.

P. Estimates

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

Q. Budgetary Data

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

R. Implementation of New Accounting Policies

For the year ended December 31, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

NOTE 3: RESTATEMENT OF FUND BALANCES

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

	General	Other Governmental
Fund Balance Previously Reported at December 31, 2010	\$ 1,718,640	\$ 2,949,582
Fund Reclassifications:		
Airport Capital Improvements	63,781	(63,781)
Restated Fund Balance at January 1, 2011	\$ 1,782,421	\$ 2,885,801

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a restricted or assigned fund balance (GAAP).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General	Safety Forces Operation	
GAAP Basis	\$ 55,143	\$ 214,623	
Revenue accruals	99,644	13,071	
Expenditure accruals	196,119	(156,694)	
Funds budgeted elsewhere	40,371	0	**
Encumbrances	(105,073)	(14,960)	
Budget Basis	\$ 286,204	\$ 56,040	

** As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed monies, income tax administration and collection, municipal court computer and airport capital improvement funds.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2011, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At year-end, the carrying amount of the City's deposits was \$6,378,178. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$909,000 of the City's bank balance of \$6,767,762 was exposed to custodial risk as discussed above, was uninsured and uncollateralized, while \$5,858,763 was covered by Federal Deposit Insurance Corporation.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	\$ 995,811	\$ 995,811
Huntington Mutual Funds	93,025	93,025
	<u>\$ 1,088,836</u>	<u>\$ 1,088,836</u>

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

Credit Risk Standard & Poor's has assigned STAROhio an AAAM rating. The Huntington mutual funds represent a cemetery trust fund that was donated in a prior year. These investments are unrated.

Concentration of Credit Risk The following table includes the percentage to total of each investment type held by the City at December 31, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	\$ 995,811	91.46%
Huntington National Bank Trust	93,025	8.54%
	<u>\$ 1,088,836</u>	<u>100.00%</u>

NOTE 6: PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 6: PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2011, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

Real Property	\$ 303,352,450
Public Utility Real Property and Minerals	60,650
Public Utility Tangible Personal Property	<u>8,544,390</u>
Total Assessed Value	<u>\$ 311,957,490</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of New Philadelphia. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 7: RECEIVABLES

Receivables at December 31, 2011 consisted of taxes, accounts (billed and unbilled user charged services) and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts and intergovernmental receivables are deemed collectible in full.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 8: INCOME TAX

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Effective July 1, 2005, the electors approved and additional one-half (1/2) percent to be used for safety forces operations. The remaining one percent provides for general municipal operations. The street lighting special revenue fund, income tax administration fund and master capital fund receive an allocation from the income tax that is established annually by Council. The balance is allocated 76 percent to the general fund, 13 percent to the street maintenance and repair special revenue fund, 8 percent to the police and fire pension special revenue fund, and 3 percent to the cemetery special revenue fund.

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2011 follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 816,583	\$ 0	\$ 0	\$ 816,583
Construction in Progress	361,203	994,576	(1,326,821)	28,958
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,177,786</u>	<u>994,576</u>	<u>(1,326,821)</u>	<u>845,541</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	7,256,323	100,079	0	7,356,402
Improvements Other than Buildings	5,261,100	0	0	5,261,100
Machinery and Equipment	3,287,925	1,547,737	(134,548)	4,701,114
Furniture and Fixtures	110,091	0	0	110,091
Vehicles	3,935,796	452,219	(19,600)	4,368,415
Infrastructure	27,109,571	423,901	0	27,533,472
<i>Total Capital Assets, Being Depreciated</i>	<u>46,960,806</u>	<u>2,523,936</u>	<u>(154,148)</u>	<u>49,330,594</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(3,305,873)	(156,132)	0	(3,462,005)
Improvements Other than Buildings	(2,019,754)	(146,354)	0	(2,166,108)
Machinery and Equipment	(2,514,547)	(87,283)	12,661	(2,589,169)
Furniture and Fixtures	(90,991)	(1,749)	0	(92,740)
Vehicles	(2,125,184)	(152,415)	18,620	(2,258,979)
Infrastructure	(11,702,849)	(744,307)	0	(12,447,156)
<i>Total Accumulated Depreciation</i>	<u>(21,759,198)</u>	<u>(1,288,240) *</u>	<u>31,281</u>	<u>(23,016,157)</u>
<i>Total Capital Assets Being Depreciated</i>	<u>25,201,608</u>	<u>1,235,696</u>	<u>(122,867)</u>	<u>26,314,437</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 26,379,394</u>	<u>\$ 2,230,272</u>	<u>\$ (1,449,688)</u>	<u>\$27,159,978</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 9: CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental functions as follows:

General Government	\$	58,718
Leisure Time Services		185,783
Public Health		13,551
Security of Persons and Property		125,276
Transportation		807,032
Community and Economic Development		<u>97,880</u>
 Total	 \$	 <u>1,288,240</u>

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Business-Type Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 51,892	\$ 0	\$ 0	\$ 51,892
Construction in Progress	<u>0</u>	<u>27,800</u>	<u>0</u>	<u>27,800</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>51,892</u>	<u>27,800</u>	<u>0</u>	<u>79,692</u>
 <i>Capital Assets, Being Depreciated</i>				
Buildings	9,124,312	49,409	0	9,173,721
Improvements Other than Buildings	6,848,952	15,100	0	6,864,052
Machinery and Equipment	4,601,936	287,603	(110,273)	4,779,266
Furniture and Fixtures	20,554	0	0	20,554
Vehicles	1,940,191	298,496	(17,845)	2,220,842
Sewer lines	6,722,841	0	0	6,722,841
Water lines	<u>14,361,524</u>	<u>0</u>	<u>0</u>	<u>14,361,524</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>43,620,310</u>	<u>650,608</u>	<u>(128,118)</u>	<u>44,142,800</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings	(4,538,797)	(244,305)	0	(4,783,102)
Improvements other than buildings	(1,697,867)	(210,025)	0	(1,907,892)
Machinery and equipment	(3,935,039)	(60,964)	291	(3,995,712)
Furniture and fixtures	(19,526)	0	0	(19,526)
Vehicles	(1,391,820)	(70,248)	16,953	(1,445,115)
Sewer lines	(2,493,878)	(112,414)	0	(2,606,292)
Water lines	<u>(6,980,089)</u>	<u>(299,860)</u>	<u>0</u>	<u>(7,279,949)</u>
<i>Total Accumulated Depreciation</i>	<u>(21,057,016)</u>	<u>(997,816)</u>	<u>17,244</u>	<u>(22,037,588)</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	<u>22,563,294</u>	<u>(347,208)</u>	<u>(110,874)</u>	<u>22,105,212</u>
 <i>Total Business-Type Capital Assets, Net</i>	<u>\$ 22,615,186</u>	<u>\$ (319,408)</u>	<u>\$ (110,874)</u>	<u>\$ 22,184,904</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2011, the City contracted with several companies for various types of insurance as follows:

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

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

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively.

The City's 2011 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$515,401, \$430,719 and \$337,033, respectively. For 2011, 92.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$10,630 made by the City and \$7,593 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$148,995 and \$248,110, \$183,506 and \$302,063 and \$139,666 and \$228,038 for the years ended December 31, 2011, 2010 and 2009, respectively. 73.36 percent for police and 73.28 percent for firefighters has been contributed for 2011. The full amount has been contributed for 2010 and 2009.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222- 5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, state and local government employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS’ Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$206,160, \$245,334 and \$337,033, respectively. For 2011, 92.72 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members of the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$78,879 and \$97,086, \$98,103 and \$118,199 and \$73,941 and \$89,232 for the years ended December 31, 2011, 2010 and 2009, respectively. 73.36 percent has been contributed for police and 73.28 percent has been contributed for firefighters for 2011. The full amount has been contributed for 2010 and 2009

NOTE 13: OTHER EMPLOYEE BENEFITS

A. Additional Insurance

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

Option 1: The City pays: \$900.25 family, employee pays \$115 for a total of \$1,015.25
\$389.05 single, employee pays \$53 for a total of \$442.05

Option 2: The City pays: \$941.45 family
\$405.90 single

Option 3: HSA: The City pays: \$863.40 family
\$378.75 single

The City also contributes to each employee: \$936.60 family
\$325.80 single

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

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 13: OTHER EMPLOYEE BENEFITS (Continued)

B. Compensated Absences

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

Employees earn sick leave at the rate of 4.6 hours for every 80 hours worked for city employees and police officers, and at a rate of 6.44 hours for every 112 hours of service for firefighters. Sick leave accumulation is limited based on years of service and is paid upon retirement. As of December 31, 2011, the total liability for unpaid compensated absences was \$1,255,327.

NOTE 14: CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011:

	Governmental Activities
2012	\$ 42,809
Less amount representing interest	3,650
Present value of minimum lease payments	\$ 39,159

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS

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

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City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

Changes in the long-term obligations of the City during 2011 were as follows:

	Amount			Amount Outstanding 12/31/2011	Amounts Due in One Year
	Outstanding 1/1/2011	Additions	(Reductions)		
Governmental Activities					
General Obligation Bonds					
City Improvement Bonds	\$ 1,755,000	\$ 0	\$ (130,000)	\$ 1,625,000	\$ 130,000
Capital Leases	76,575	0	(37,416)	39,159	39,159
Compensated Absences	1,109,368	10,123	(32,761)	1,086,730	397,716
Total Governmental Activities	\$ 2,940,943	\$ 10,123	\$ (200,177)	\$ 2,750,889	\$ 566,875
Business-Type Activities					
OPWC Loans					
Ohio Public Works Commission - Sewer Repair	\$ 15,000	\$ 0	\$ (15,000)	\$ 0	\$ 0
Ohio Public Works Commission Loan					
Waste Water Treatment Plant Improvements	236,250	0	(17,500)	218,750	17,500
Ohio Public Works Commission Loan - Clearwell	75,000	0	(7,500)	67,500	5,000
Ohio Public Works Commission -Bluebell Pump					
Pump Station	54,531	0	(6,059)	48,472	4,040
Ohio Public Works Commission Loan - Salt Bin	1,792	0	(1,792)	0	0
Total OPWC Loans	382,573	0	(47,851)	334,722	26,540
OWDA Loans					
Ohio Water Development Authority Loan -					
Sewer Plant Expansion and Upgrade	5,383,645	0	(411,074)	4,972,571	411,896
Ohio Water Development Authority Loan -					
Bass Lake Project	1,069,770	0	(82,290)	987,480	82,290
Ohio Water Development Authority Loan -					
Waste Water Treatment Plant Improvements	630,918	0	(39,281)	591,637	40,680
Ohio Water Development Authority					
Loan - Sewer Loan	185,027	0	(6,025)	179,002	6,284
Total OWDA Loans	7,269,360	0	(538,670)	6,730,690	541,150
Capital Leases	57,276	0	(57,276)	0	0
Compensated Absences	203,988	10,191	(45,582)	168,597	30,192
Total Business-Type Activities	\$ 7,913,197	\$ 10,191	\$ (689,379)	\$ 7,234,009	\$ 597,882

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$7,065,412 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 11 percent. The total principal and interest remaining to be paid on the loans is \$7,393,149. Principal and interest paid for the current year and total net revenues were \$627,018 and \$1,300,239, respectively.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

In 1991, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$200,000. The proceeds of this loan were used for sewer repairs and improvements. The loan matures on January 1, 2012. As of December 31, 2011, the City had drawn down the entire amount of the loan.

In 2001, the City entered into an agreement with the Ohio Water Development Authority (OWDA) for a large sewer plant expansion and upgrade project. The total amount authorized for this loan was \$8,263,204, and as of December 31, 2011, the City had drawn \$8,229,699. The City began repaying the loan in 2004.

In 2003, The City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$875,008. The proceeds of this loan were used for improvements to the waste water treatment plant. As of December 31, 2011, the City had drawn down \$870,558.

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

In 2003, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$350,000. The proceeds of this loan were used for improvements to the waste water treatment plant. As of December 31, 2011, the City had drawn down the entire amount of the loan.

In 2004, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$100,000. The proceeds of this loan were used for improvements to the waste water treatment plant. As of December 31, 2011, the City had drawn down the entire amount of the loan.

In 2005, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$211,630. The proceeds of this loan were used for rehabilitation and replacement of deteriorated sanitary sewers. As of December 31, 2011, the City had drawn down the entire amount of the loan.

In 2008, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$60,591. The proceeds of this loan were used for improvements to the Bluebell Drive Pump Station. As of December 31, 2011, the City had drawn down the entire amount of the loan.

In 2010, the City was awarded a loan from the Ohio Public Works Commission (OPWC) in the amount of \$25,000. The proceeds of this loan were used to repair the collapsed salt bin at the water department. As of December 31, 2011, the City had drawn down \$1,792. This amount was repaid in 2011 and the loan was closed.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from franchise fees that will be received in and retired from the debt service funds.

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

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

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

	General Obligation Bonds	
	Principal	Interest
	Principal	Interest
2012	\$ 130,000	\$ 79,068
2013	135,000	73,283
2014	145,000	67,005
2015	155,000	60,117
2016	155,000	52,600
2017-2021	905,000	139,497
	<u>\$ 1,625,000</u>	<u>\$ 471,570</u>

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

	Ohio Public Works Commission Loan		Ohio Water Development Authority Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 26,540	\$ 0	\$ 541,150	\$ 38,018	\$ 567,690	\$ 38,018
2013	26,540	0	543,695	35,473	570,235	35,473
2014	26,540	0	546,301	32,866	572,841	32,866
2015	26,540	0	548,975	30,191	575,515	30,191
2016	26,540	0	880,881	68,477	907,421	68,477
2017-2021	132,696	0	2,637,801	93,453	2,770,497	93,453
2022-2026	69,326	0	981,518	24,324	1,050,844	24,324
2027-2031	0	0	50,369	4,935	50,369	4,935
	<u>\$ 334,722</u>	<u>\$ 0</u>	<u>\$ 6,730,690</u>	<u>\$ 327,737</u>	<u>\$ 7,065,412</u>	<u>\$ 327,737</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 16: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2011, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		
	<u>General</u>	<u>Cemetery Endowment</u>	<u>Total</u>
Street Maintenance and Repair	\$ 9,500	\$ 0	\$ 9,500
Cemetery	114,500	1,720	116,220
Sidewalk Improvement	15,000	0	15,000
CDBG	25,000	0	25,000
<i>Total</i>	<u>\$ 164,000</u>	<u>\$ 1,720</u>	<u>\$ 165,720</u>

The transfers from the general fund to street maintenance and repair, cemetery, sidewalk improvement and CDBG funds were made to provide additional resources for current operations. The transfer from the cemetery endowment fund to the cemetery fund was made to provide additional resources for current operations.

Capital assets related to a pump station project were transferred from the governmental funds to the business-type funds during 2011. The total amount of assets transferred was \$136,488.

NOTE 17: CONTRACTUAL COMMITMENTS

As of December 31, 2011, the City had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 12/31/2011</u>
Municipal Services - CHIP administration and implementation	\$ 112,904	\$ 96,442	\$ 16,462
W.E. Quicksall - CDBG Engineering	10,000	7,000	3,000
Miller Cable Co. - traffic signal project	1,018,107	870,598	147,509
Superior Paving - ramp rehabilitation at airport phase II	296,184	265,292	30,892
Tuscon, Inc. - ramp rehabilitation phase II	357,060	0	357,060
Totals	<u>\$ 1,794,255</u>	<u>\$ 1,239,332</u>	<u>\$ 554,923</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 18: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Safety Forces Operation	Master Capital	Other Governmental Funds	Total
Nonspendable for:					
Unclaimed Monies	\$ 28,076	\$ 0	\$ 0	\$ 0	\$ 28,076
Inventory	74,158	0	0	136,717	210,875
Total Nonspendable	<u>102,234</u>	<u>0</u>	<u>0</u>	<u>136,717</u>	<u>238,951</u>
Restricted for:					
Public Safety and Law Enforcement	0	590,840	0	208,756	799,596
Street Maintenance	0	0	0	363,773	363,773
Cemetery	0	0	0	475,395	475,395
General Government	0	0	0	549,380	549,380
CDBG and CHIP	0	0	0	49,952	49,952
Public Health	0	0	0	3,157	3,157
Capital Projects	0	0	775,063	65,804	840,867
Other Purposes	0	0	0	5,832	5,832
Total Restricted	<u>0</u>	<u>590,840</u>	<u>775,063</u>	<u>1,722,049</u>	<u>3,087,952</u>
Committed for:					
Fire and Ambulance	0	0	0	283,884	283,884
Debt Service	0	0	0	87,792	87,792
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>371,676</u>	<u>371,676</u>
Assigned for:					
Encumbrances	52,045	0	0	0	52,045
Unassigned	1,683,285	0	0	0	1,683,285
Total Fund Balance	<u>\$1,837,564</u>	<u>\$ 590,840</u>	<u>\$ 775,063</u>	<u>\$ 2,230,442</u>	<u>\$ 5,433,909</u>

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 19: JOINTLY GOVERNED ORGANIZATIONS

A. Community Improvement Corporation of Tuscarawas County

The City is associated with the Community Improvement Corporation (“Corporation”) of Tuscarawas County as a Jointly Governed Organization. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenhutten. It is controlled by 30 trustees consisting of the three County Commissioners, the mayor of each participating city or village and eighteen self-elected trustees. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the board. In 2011, no monies were paid by the City.

B. Tuscarawas County Drug Enforcement Task Force

The City entered into a mutual aid agreement with the Tuscarawas County Drug Enforcement Task Force, which is coordinated by the Tuscarawas County Sheriff’s Office. In 2011, the City paid no monies due to the fact that one of its police officers is a full time member of the Task Force.

C. Ohio Mid-Eastern Governments Association (OMEGA)

The Ohio-Mid Eastern Governments Association (OMEGA) is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of New Philadelphia serves as the City’s representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2011, OMEGA received \$2,593 from the City of New Philadelphia for an annual fee. The continued existence of OMEGA is not dependent on the City’s continued participation and no equity interest exists. OMEGA has no outstanding debts.

D. Tax Incentive Revenue Council (TIRC)

The Tax Incentive Revenue Council (TIRC) is an inter-jurisdictional body created to review and evaluate the performance of each Enterprise Zone Agreement. This body is advisory in nature only and cannot directly impact an existing Enterprise Zone Agreement. The TIRC is charged to annually review each Enterprise Zone Agreement and determine whether or not the business(es) has/have complied with the terms and conditions of the agreement. Upon review, the TIRC is to make a formal recommendation to the local government(s) in party to the Enterprise Zone Agreement. ORC Section 5709.85 sets forth the composition of TIRC. The council is jointly governed among Tuscarawas County, municipalities, townships and school districts within the county-designated Enterprise Zone. In 2011, no monies were paid by the City.

City of New Philadelphia, Ohio
Notes To The Basic Financial Statements (Continued)
For the Year Ended December 31, 2011

NOTE 20: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2011.

B. Litigation

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

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

May 8, 2012

To The Honorable Mayor and City Council
City of New Philadelphia
150 East High Avenue
New Philadelphia, Ohio 44663

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Philadelphia, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated May 8, 2012.

This report is intended solely for the information and use of management, others within the entity, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

May 8, 2012

To The Honorable Mayor and City Council
City of New Philadelphia
150 East High Avenue
New Philadelphia, Ohio 44663

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the City of New Philadelphia (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the entity, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

City of New Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/Pass Through Grantor Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Block Grant	A-F-10-2CU-1	14.228	\$ 70,000
Community Development Block Grant	A-F-11-2CU-1	14.228	10,000
Total Community Development Block Grants			80,000
Home Investment Partnership Program	A-C-10-2CU-1	14.239	17,594
Home Investment Partnership Program	A-C-10-2CU-2	14.239	375,225
Total Home Investment Partnership Program			392,819
Total U.S. Department of Housing and Urban Development			472,819
<u>U.S. Department of Federal Aviation Administration</u>			
<i>Direct Programs:</i>			
Airport Improvement Program	3-39-0060-0707	20.106	136
Airport Improvement Program	3-39-0060-0809	20.106	15,875
Airport Improvement Program	3-39-0060-0910	20.106	219,539
Airport Improvement Program	3-39-0060-1011	20.106	67,163
Total U.S. Department of Federal Aviation Administration			302,713
<u>U.S. Department of Transportation</u>			
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction		20.205	800,418
Total U.S. Department of Transportation			800,418
Total Expenditures of Federal Awards			\$ 1,575,950

NOTE 1: Basis of Presentation

This schedule includes the federal grant activity of the City of New Philadelphia, Ohio, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of New Philadelphia
Schedule of Findings
OMB Circular A-133, Section .505
December 31, 2011

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 significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies 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 Section .510?	No
(d) (1) (vii)	Major Programs (list): Airport Improvement Program Highway Planning and Construction	CFDA #20.106 #20.205
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

City of New Philadelphia
Schedule of Prior Audit Findings
OMB Circular A-133, Section .315(b)
December 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2010-001	Monthly bank reconciliations incomplete or not performed	No	Significant improvement noted. Balance of related issues are reported in management letter.

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Dave Yost • Auditor of State

CITY OF NEW PHILADELPHIA

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 26, 2012**