



**Auditor of State
Betty Montgomery**

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and City Council:

We have audited the accompanying general purpose financial statements of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of New Philadelphia, Tuscarawas County, Ohio as of December 31, 2002, and the results of its operations and cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, effective January 1, 2002, the City changed its capitalization threshold from \$500 to \$5,000 for fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

September 5, 2003

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CITY OF NEW PHILADELPHIA

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2002

| | <u>Governmental Fund Types</u> | | | |
|--|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| <u>ASSETS AND OTHER DEBITS</u> | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,024,954 | \$ 2,453,534 | \$ 175,623 | \$ 2,268,561 |
| Cash and Cash Equivalents: | | | | |
| In Segregated Accounts | 0 | 0 | 0 | 0 |
| Receivables: | | | | |
| Taxes | 1,691,764 | 1,420,515 | 340,323 | 181,868 |
| Accounts | 35,973 | 140,301 | 28,528 | 27,547 |
| Special Assessments | 0 | 0 | 351,053 | 0 |
| Loans | 0 | 23,653 | 0 | 0 |
| Intergovernmental | 669,394 | 849,885 | 12,633 | 354,048 |
| Materials and Supply Inventories | 37,163 | 226,024 | 0 | 0 |
| Fixed Assets (net of accumulated depreciation, where applicable) | 0 | 0 | 0 | 0 |
| Other Debits: | | | | |
| Amount to be Provided for Retirement of General Long-Term Debt | 0 | 0 | 0 | 0 |
| Amount Available in Debt Service Fund | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | <u><u>\$ 3,459,248</u></u> | <u><u>\$ 5,113,912</u></u> | <u><u>\$ 908,160</u></u> | <u><u>\$ 2,832,024</u></u> |

The accompanying notes are an integral part of these financial statements.

| Proprietary Fund Types | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|---------------------------|-------------------------|-------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust & Agency | | | |
| \$ 2,428,993 | \$ 476,865 | \$ 0 | \$ 0 | \$ 8,828,530 |
| 0 | 250,182 | 0 | 0 | 250,182 |
| 631 | 0 | 0 | 0 | 3,635,101 |
| 544,489 | 6,390 | 0 | 0 | 783,228 |
| 0 | 0 | 0 | 0 | 351,053 |
| 0 | 0 | 0 | 0 | 23,653 |
| 649,235 | 0 | 0 | 0 | 2,535,195 |
| 337,305 | 0 | 0 | 0 | 600,492 |
| 15,893,675 | 0 | 15,430,996 | 0 | 31,324,671 |
| 0 | 0 | 0 | 6,456,389 | 6,456,389 |
| 0 | 0 | 0 | 252,416 | 252,416 |
| <u>\$ 19,854,328</u> | <u>\$ 733,437</u> | <u>\$ 15,430,996</u> | <u>\$ 6,708,805</u> | <u>\$ 55,040,910</u> |

(Continued)

CITY OF NEW PHILADELPHIA

Combined Balance Sheet
All Fund Types and Account Groups

December 31, 2002

| | Governmental Fund Types | | | |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>LIABILITIES, EQUITY, AND OTHER CREDITS</u> | | | | |
| <i>Liabilities:</i> | | | | |
| Accounts Payable | \$ 25,026 | \$ 39,874 | \$ 0 | \$ 4,881 |
| Contracts Payable | 1,620 | 0 | 0 | 367,740 |
| Accrued Wages and Benefits | 100,643 | 32,222 | 0 | 0 |
| Compensated Absences Payable | 0 | 0 | 0 | 0 |
| Intergovernmental Payables | 157,592 | 63,294 | 0 | 0 |
| Deferred Revenue | 1,620,950 | 2,021,754 | 654,009 | 125,064 |
| Undistributed Monies | 0 | 0 | 0 | 0 |
| Accrued Interest Payable | 0 | 0 | 1,735 | 0 |
| OPWC Loan Payable | 0 | 0 | 0 | 0 |
| OWDA Loan Payable | 0 | 0 | 0 | 0 |
| Capital Lease Payable | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Police and Fire Pension Payable | 0 | 0 | 0 | 0 |
| Special Assessment Bond Payable with Government Commitment | 0 | 0 | 0 | 0 |
| Total Liabilities | 1,905,831 | 2,157,144 | 655,744 | 497,685 |
| <i>Equity and Other Credits:</i> | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Contributed Capital | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balances (Deficits): | | | | |
| Reserved for Encumbrances | 162,387 | 33,279 | 0 | 57,521 |
| Reserved for Inventory | 37,163 | 226,024 | 0 | 0 |
| Reserved for Loans Receivable | 0 | 23,653 | 0 | 0 |
| Reserved for Unclaimed Monies | 13,330 | 0 | 0 | 0 |
| Reserved for Endowments | 0 | 0 | 0 | 0 |
| Unreserved: | | | | |
| Undesignated | 1,340,537 | 2,673,812 | 252,416 | 2,276,818 |
| Total Equity and Other Credits | 1,553,417 | 2,956,768 | 252,416 | 2,334,339 |
| Total Liabilities, Equity, and Other Credits | \$ 3,459,248 | \$ 5,113,912 | \$ 908,160 | \$ 2,832,024 |

The accompanying notes are an integral part of these financial statements.

| Proprietary Fund Types | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|---------------------------|-------------------------|-------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust & Agency | | | |
| \$ 72,774 | \$ 0 | \$ 0 | \$ 0 | \$ 142,555 |
| 650,897 | 0 | 0 | 0 | 1,020,257 |
| 30,332 | 0 | 0 | 0 | 163,197 |
| 176,550 | 0 | 0 | 569,380 | 745,930 |
| 68,055 | 0 | 0 | 113,471 | 402,412 |
| 0 | 999 | 0 | 0 | 4,422,776 |
| 0 | 372,553 | 0 | 0 | 372,553 |
| 0 | 0 | 0 | 0 | 1,735 |
| 90,000 | 0 | 0 | 0 | 90,000 |
| 4,888,675 | 0 | 0 | 0 | 4,888,675 |
| 0 | 0 | 0 | 781,659 | 781,659 |
| 0 | 0 | 0 | 4,800,411 | 4,800,411 |
| 0 | 0 | 0 | 169,295 | 169,295 |
| 0 | 0 | 0 | 274,589 | 274,589 |
| 5,977,283 | 373,552 | 0 | 6,708,805 | 18,276,044 |
| 0 | 0 | 15,430,996 | 0 | 15,430,996 |
| 1,886,989 | 0 | 0 | 0 | 1,886,989 |
| 11,990,056 | 0 | 0 | 0 | 11,990,056 |
| 0 | 0 | 0 | 0 | 253,187 |
| 0 | 0 | 0 | 0 | 263,187 |
| 0 | 0 | 0 | 0 | 23,653 |
| 0 | 0 | 0 | 0 | 13,330 |
| 0 | 323,228 | 0 | 0 | 323,228 |
| 0 | 36,657 | 0 | 0 | 6,580,240 |
| 13,877,045 | 359,885 | 15,430,996 | 0 | 36,764,866 |
| <u>\$ 19,854,328</u> | <u>\$ 733,437</u> | <u>\$ 15,430,996</u> | <u>\$ 6,708,805</u> | <u>\$ 55,040,910</u> |

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CITY OF NEW PHILADELPHIA

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*

All Governmental Fund Types and Similar Fiduciary Funds

For the Year Ended December 31, 2002

| | Governmental Fund Types | | | | Fiduciary Fund Types | Totals (Memorandum Only) |
|---|-------------------------|---------------------|-------------------|---------------------|-------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Revenues: | | | | | | |
| Municipal Income Tax | \$ 2,068,572 | \$ 769,589 | \$ 290,000 | \$ 581,967 | \$ 0 | \$ 3,710,128 |
| Property and Other Taxes | 1,040,725 | 1,008,003 | 216,884 | 0 | 0 | 2,265,612 |
| Charges for Services | 190,110 | 344,285 | 0 | 0 | 0 | 534,395 |
| Fines, Licenses and Permits | 573,450 | 705,898 | 180,919 | 0 | 0 | 1,460,267 |
| Intergovernmental | 1,361,817 | 919,030 | 27,111 | 1,182,227 | 0 | 3,490,185 |
| Contributions and Donations | 46,513 | 0 | 0 | 75,000 | 21,450 | 142,963 |
| Special Assessments | 0 | 0 | 60,902 | 0 | 0 | 60,902 |
| Interest | 120,831 | 13,106 | 1,712 | 0 | 491 | 136,140 |
| Rentals | 61,302 | 365 | 0 | 20,507 | 0 | 82,174 |
| Other Revenue | 62,216 | 5,543 | 0 | 20,434 | 0 | 88,193 |
| Total Revenues | 5,525,536 | 3,765,819 | 777,528 | 1,880,135 | 21,941 | 11,949,018 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 1,688,638 | 365,931 | 0 | 0 | 0 | 2,054,569 |
| Security of Persons and Property | 2,806,020 | 524,554 | 0 | 0 | 0 | 3,330,574 |
| Public Health and Welfare Services | 260,021 | 445 | 0 | 0 | 0 | 260,466 |
| Leisure Time Activities | 500,865 | 0 | 0 | 0 | 0 | 500,865 |
| Municipal Court | 491,387 | 525,651 | 0 | 0 | 0 | 1,017,038 |
| Downtown Parking | 31,797 | 0 | 0 | 0 | 0 | 31,797 |
| Transportation | 106,337 | 976,921 | 0 | 0 | 0 | 1,083,258 |
| Community Development | 0 | 244,933 | 0 | 561 | 0 | 245,494 |
| Basic Utility Services | 0 | 988,918 | 0 | 0 | 0 | 988,918 |
| Capital Outlay | 115,064 | 84,745 | 425 | 1,856,743 | 20,607 | 2,077,584 |
| Debt Service: | | | | | | |
| Principal Retirements | 11,733 | 0 | 3,412,794 | 64,937 | 0 | 3,489,464 |
| Interest and Fiscal Charges | 15,982 | 0 | 271,623 | 33,856 | 0 | 321,461 |
| Total Expenditures | 6,027,844 | 3,712,098 | 3,684,842 | 1,956,097 | 20,607 | 15,380,881 |
| Excess of Revenues Over (Under) Expenditures | (502,308) | 53,721 | (2,907,314) | (75,962) | 1,334 | (3,431,863) |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds of Bonds | 399,293 | 0 | 3,096,532 | 1,534,620 | 0 | 5,030,445 |
| Proceeds from Sales of Fixed Assets | 6,230 | 0 | 0 | 0 | 0 | 6,230 |
| Proceeds from Capital Lease | 6,118 | 0 | 0 | 425,731 | 0 | 431,849 |
| Other Financing Uses | (7,903) | (28,347) | (83,667) | (35,144) | 0 | (155,061) |
| Operating Transfers In | 0 | 81,000 | 0 | 41,435 | 0 | 122,435 |
| Operating Transfers Out | (85,035) | (37,400) | 0 | 0 | 0 | (122,435) |
| Total Other Financing Sources (Uses) | 318,703 | 15,253 | 3,012,865 | 1,966,642 | 0 | 5,313,463 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (183,605) | 68,974 | 105,551 | 1,890,680 | 1,334 | 1,881,600 |
| Fund Balance(Deficit) at Beginning of Year | 1,729,056 | 2,889,423 | 146,865 | 443,659 | 34,448 | 5,209,003 |
| Increase (Decrease) in Reserve for Inventory | 7,966 | (1,629) | 0 | 0 | 0 | 6,337 |
| Fund Balance (Deficit) at End of Year | \$ 1,553,417 | \$ 2,956,768 | \$ 252,416 | \$ 2,334,339 | \$ 35,782 | \$ 7,096,940 |

The accompanying notes are an integral part of these financial statements.

CITY OF NEW PHILADELPHIA

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Similar Fiduciary Funds*

For the Year Ended December 31, 2002

| | General Fund | | |
|---|---------------------------|-------------------|---|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Municipal Income Tax | \$ 2,075,000 | \$ 2,075,881 | \$ 881 |
| Property and Other Taxes | 1,035,876 | 1,040,725 | \$ 4,849 |
| Charges for Services | 176,200 | 190,110 | 13,910 |
| Licenses and Permits | 485,000 | 568,417 | 83,417 |
| Intergovernmental Revenue | 1,162,100 | 1,266,878 | 104,778 |
| Contributions and Donations | 21,000 | 46,513 | 25,513 |
| Special Assessments | 0 | 0 | 0 |
| Investment Earnings | 100,000 | 120,831 | 20,831 |
| Rentals | 62,300 | 60,924 | (1,376) |
| Other | 29,441 | 76,062 | 46,621 |
| Total Revenues | 5,146,917 | 5,446,341 | 299,424 |
| Expenditures: | | | |
| Current: | | | |
| General Government | 1,840,576 | 1,706,498 | 134,078 |
| Security of Persons and Property | 2,869,779 | 2,783,567 | 86,212 |
| Public Health and Welfare Services | 274,909 | 261,116 | 13,793 |
| Leisure Time Activities | 541,481 | 499,515 | 41,966 |
| Municipal Court | 556,888 | 494,362 | 62,526 |
| Downtown Parking | 35,101 | 31,797 | 3,304 |
| Community Environment | 0 | 0 | 0 |
| Transportation | 110,851 | 110,117 | 734 |
| Basic Utility Service | 0 | 0 | 0 |
| Capital Outlay | 265,397 | 242,249 | 23,148 |
| Debt Service: | | | |
| Principal Retirement | 402,759 | 402,759 | 0 |
| Interest and Fiscal Charges | 21,813 | 20,228 | 1,585 |
| Total Expenditures | 6,919,554 | 6,552,208 | 367,346 |
| Excess of Revenue Over (Under) Expenditures | (1,772,637) | (1,105,867) | 666,770 |
| Other Financing Sources (Uses): | | | |
| Proceeds of Bonds | 400,000 | 399,429 | (571) |
| Proceeds from Sale of Assets | 2,000 | 6,230 | 4,230 |
| Proceeds of Capital Lease | 0 | 0 | 0 |
| Other Financing Uses | (7,903) | (7,903) | 0 |
| Operating Transfer In | 9,903 | 11,839 | 1,936 |
| Operating Transfer Out | (119,500) | (85,035) | 34,465 |
| Other Financing Sources (Uses) | 284,500 | 324,560 | 40,060 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (1,488,137) | (781,307) | 706,830 |
| Fund Balance at Beginning of Year | 1,336,697 | 1,336,697 | 0 |
| Prior Year Encumbrances Appropriated | 290,793 | 290,793 | 0 |
| Fund Balance at End of Year | \$ 139,353 | \$ 846,183 | \$ 706,830 |

The accompanying notes are an integral part of these financial statements.

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|---------------------|----------------------------------|-------------------|-------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 898,000 | \$ 775,369 | \$ (122,631) | \$ 242,200 | \$ 285,000 | \$ 42,800 |
| 984,000 | 1,008,003 | \$ 24,003 | 269,895 | 216,884 | (53,011) |
| 312,000 | 362,558 | 50,558 | 0 | 0 | 0 |
| 578,500 | 730,062 | 151,562 | 108,620 | 142,113 | 33,493 |
| 1,098,514 | 1,016,012 | (82,502) | 26,000 | 27,111 | 1,111 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 60,000 | 60,902 | 902 |
| 22,607 | 15,778 | (6,829) | 1,000 | 2,175 | 1,175 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 7,500 | 14,080 | 6,580 | 0 | 0 | 0 |
| <u>3,901,121</u> | <u>3,921,862</u> | <u>20,741</u> | <u>707,715</u> | <u>734,185</u> | <u>26,470</u> |
| 415,536 | 363,844 | 51,692 | 0 | 0 | 0 |
| 546,321 | 528,463 | 17,858 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,603,930 | 526,921 | 1,077,009 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 429,614 | 259,669 | 169,945 | 0 | 0 | 0 |
| 1,120,606 | 992,917 | 127,689 | 0 | 0 | 0 |
| 1,051,262 | 1,014,681 | 36,581 | 0 | 0 | 0 |
| 94,467 | 84,745 | 9,722 | 425 | 425 | 0 |
| 0 | 0 | 0 | 3,414,868 | 3,412,794 | 2,074 |
| 0 | 0 | 0 | 263,532 | 262,074 | 1,458 |
| <u>5,261,736</u> | <u>3,771,240</u> | <u>1,490,496</u> | <u>3,678,825</u> | <u>3,675,293</u> | <u>3,532</u> |
| (1,360,615) | 150,622 | 1,511,237 | (2,971,110) | (2,941,108) | 30,002 |
| 0 | 0 | 0 | 2,990,205 | 3,097,144 | 106,939 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | (80,718) | (80,717) | (1) |
| 85,000 | 81,000 | (4,000) | 0 | 28,347 | 28,347 |
| (51,024) | (65,747) | 14,723 | (9,903) | (11,839) | 1,936 |
| <u>33,976</u> | <u>15,253</u> | <u>10,723</u> | <u>2,899,584</u> | <u>3,032,935</u> | <u>30,282</u> |
| (1,326,639) | 165,875 | 1,521,960 | (71,526) | 91,827 | 60,284 |
| 2,101,034 | 2,101,034 | 0 | 83,371 | 83,371 | 0 |
| 116,093 | 116,093 | 0 | 425 | 425 | 0 |
| <u>\$ 890,488</u> | <u>\$ 2,383,002</u> | <u>\$ 1,521,960</u> | <u>\$ 12,270</u> | <u>\$ 175,623</u> | <u>\$ 60,284</u> |

(Continued)

CITY OF NEW PHILADELPHIA

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)*
All Governmental Fund Types and Similar Fiduciary Funds

For the Year Ended December 31, 2002

| | Capital Projects Funds | | |
|---|-------------------------------|---------------------|---|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | |
| Municipal Income Tax | \$ 680,000 | \$ 582,677 | \$ (97,323) |
| Property and Other Taxes | 0 | 0 | 0 |
| Charges for Services | 0 | 0 | 0 |
| Licenses and Permits | 0 | 0 | 0 |
| Intergovernmental Revenue | 1,946,000 | 1,066,733 | (879,267) |
| Contributions and Donations | 50,000 | 50,000 | 0 |
| Special Assessments | 0 | 0 | 0 |
| Investment Earnings | 0 | 0 | 0 |
| Rentals | 15,000 | 19,373 | 4,373 |
| Other | 20,000 | 20,046 | 46 |
| Total Revenues | 2,711,000 | 1,738,829 | (972,171) |
| Expenditures: | | | |
| Current: | | | |
| General Government | 0 | 0 | 0 |
| Security of Persons and Property | 0 | 0 | 0 |
| Public Health and Welfare Services | 0 | 0 | 0 |
| Leisure Time Activities | 0 | 0 | 0 |
| Municipal Court | 0 | 0 | 0 |
| Downtown Parking | 0 | 0 | 0 |
| Community Environment | 1,000 | 561 | 439 |
| Transportation | 0 | 0 | 0 |
| Basic Utility Service | 0 | 0 | 0 |
| Capital Outlay | 4,016,588 | 2,064,421 | 1,952,167 |
| Debt Service: | | | |
| Principal Retirement | 36,998 | 64,937 | (27,939) |
| Interest and Fiscal Charges | 19,455 | 33,856 | (14,401) |
| Total Expenditures | 4,074,041 | 2,163,775 | 1,910,266 |
| Excess of Revenue Over (Under) Expenditures | (1,363,041) | (424,946) | 938,095 |
| Other Financing Sources (Uses): | | | |
| Proceeds of Bonds | 1,535,144 | 1,535,144 | 0 |
| Proceeds from Sale of Assets | 0 | 0 | 0 |
| Proceeds of Capital Lease | 0 | 425,731 | 425,731 |
| Other Financing Uses | (35,144) | (35,144) | 0 |
| Operating Transfer In | 29,500 | 41,435 | 11,935 |
| Operating Transfer Out | 0 | 0 | 0 |
| Other Financing Sources (Uses) | 1,529,500 | 1,967,166 | 437,666 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 166,459 | 1,542,220 | 1,375,761 |
| Fund Balance at Beginning of Year | (40,876) | (40,876) | 0 |
| Prior Year Encumbrances Appropriated | 360,442 | 360,442 | 0 |
| Fund Balance at End of Year | \$ 486,025 | \$ 1,861,786 | \$ 1,375,761 |

The accompanying notes are an integral part of these financial statements.

| Expendable Trust Funds | | | Totals (Memorandum Only) | | |
|------------------------|------------------|----------------------------------|--------------------------|---------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 0 | \$ 0 | \$ 0 | \$ 3,895,200 | \$ 3,718,927 | \$ (176,273) |
| 0 | 0 | 0 | 2,289,771 | 2,265,612 | (24,159) |
| 0 | 0 | 0 | 488,200 | 552,668 | 64,468 |
| 0 | 0 | 0 | 1,172,120 | 1,440,592 | 268,472 |
| 0 | 0 | 0 | 4,232,614 | 3,376,734 | (855,880) |
| 45,000 | 21,450 | (23,550) | 116,000 | 117,963 | 1,963 |
| 0 | 0 | 0 | 60,000 | 60,902 | 902 |
| 0 | 491 | 491 | 123,607 | 139,275 | 15,668 |
| 0 | 0 | 0 | 77,300 | 80,297 | 2,997 |
| 0 | 0 | 0 | 56,941 | 110,188 | 53,247 |
| <u>45,000</u> | <u>21,941</u> | <u>(23,059)</u> | <u>12,511,753</u> | <u>11,863,158</u> | <u>(648,595)</u> |
| 0 | 0 | 0 | 2,256,112 | 2,070,342 | 185,770 |
| 0 | 0 | 0 | 3,416,100 | 3,312,030 | 104,070 |
| 0 | 0 | 0 | 274,909 | 261,116 | 13,793 |
| 0 | 0 | 0 | 541,481 | 499,515 | 41,966 |
| 0 | 0 | 0 | 2,160,818 | 1,021,283 | 1,139,535 |
| 0 | 0 | 0 | 35,101 | 31,797 | 3,304 |
| 0 | 0 | 0 | 430,614 | 260,230 | 170,384 |
| 0 | 0 | 0 | 1,231,457 | 1,103,034 | 128,423 |
| 0 | 0 | 0 | 1,051,262 | 1,014,681 | 36,581 |
| 79,448 | 20,607 | 58,841 | 4,456,325 | 2,412,447 | 2,043,878 |
| 0 | 0 | 0 | 3,854,625 | 3,880,490 | (25,865) |
| 0 | 0 | 0 | 304,800 | 316,158 | (11,358) |
| <u>79,448</u> | <u>20,607</u> | <u>58,841</u> | <u>20,013,604</u> | <u>16,183,123</u> | <u>3,830,481</u> |
| (34,448) | 1,334 | 35,782 | (7,501,851) | (4,319,965) | 3,181,886 |
| 0 | 0 | 0 | 4,925,349 | 5,031,717 | 106,368 |
| 0 | 0 | 0 | 2,000 | 6,230 | 4,230 |
| 0 | 0 | 0 | 0 | 425,731 | 425,731 |
| 0 | 0 | 0 | (123,765) | (123,764) | (1) |
| 0 | 0 | 0 | 124,403 | 162,621 | 38,218 |
| 0 | 0 | 0 | (180,427) | (162,621) | 51,124 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>4,747,560</u> | <u>5,339,914</u> | <u>625,670</u> |
| (34,448) | 1,334 | 35,782 | (2,754,291) | 1,019,949 | 3,700,617 |
| 34,448 | 34,448 | 0 | 3,514,674 | 3,514,674 | 0 |
| 0 | 0 | 0 | 767,753 | 767,753 | 0 |
| <u>\$ 0</u> | <u>\$ 35,782</u> | <u>\$ 35,782</u> | <u>\$ 1,528,136</u> | <u>\$ 5,302,376</u> | <u>\$ 3,700,617</u> |

CITY OF NEW PHILADELPHIA

*Combined Statement of Revenues, Expenses,
and Changes in Fund Equity/Fund Balance*
Proprietary Fund Type and Nonexpendable Trust Funds

For The Year Ended December 31, 2002

| | Proprietary Fund Type | Fiduciary Fund Type | Total (Memorandum Only) |
|---|--------------------------|-------------------------|-------------------------------|
| | Enterprise | Non-Expendable Trust | |
| Operating Revenues: | | | |
| Charges for Services | \$ 3,754,509 | \$ 6,280 | \$ 3,760,789 |
| Tap in Fees | 2,409 | 0 | 2,409 |
| Other | 3,033 | 0 | 3,033 |
| <i>Total Operating Revenues</i> | 3,759,951 | 6,280 | 3,766,231 |
| Operating Expenses: | | | |
| Salaries and Wages | 1,220,877 | 0 | 1,220,877 |
| Fringe Benefits | 405,614 | 0 | 405,614 |
| Contractual Services | 1,513,414 | 0 | 1,513,414 |
| Materials and Supplies | 153,164 | 0 | 153,164 |
| Depreciation | 569,520 | 0 | 569,520 |
| <i>Total Operating Expenses</i> | 3,862,589 | 0 | 3,862,589 |
| Operating Income | (102,638) | 6,280 | (96,358) |
| Non-Operating Revenues and (Expenses): | | | |
| Taxes | 1,203 | 0 | 1,203 |
| Intergovernmental | 643,971 | 0 | 643,971 |
| Gain / (Loss) on Sale of Fixed Assets | 17,629 | 0 | 17,629 |
| Capital Contributions | 15,888 | 0 | 15,888 |
| <i>Total Non-Operating Revenues (Expenses)</i> | 678,691 | 0 | 678,691 |
| Net Income | 576,053 | 6,280 | 582,333 |
| Retained Earnings/Fund Balance at Beginning of Year - Restated | 11,414,003 | 317,823 | 11,731,826 |
| Retained Earnings/Fund Balance at End of Year | 11,990,056 | 324,103 | 12,314,159 |
| Contributed Capital at Beginning of Year | 1,886,989 | 0 | 1,886,989 |
| Contributed Capital at End of Year | 1,886,989 | 0 | 1,886,989 |
| Fund Equity at End of Year | <u>\$ 13,877,045</u> | <u>\$ 324,103</u> | <u>\$ 14,201,148</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF NEW PHILADELPHIA

Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Funds

For the Year Ended December 31, 2002

| | Enterprise Funds | Non-Expendable Trust Funds | Total |
|---|---------------------|-------------------------------|---------------------|
| Cash flows from Operating Activities: | | | |
| Cash Received from Customers | \$ 3,965,460 | \$ 5,770 | \$ 3,971,230 |
| Other Operating Receipts | 5,442 | 0 | 5,442 |
| Cash Payments to Suppliers for Goods and Services | (198,919) | 0 | (198,919) |
| Cash Payments to Employees | (1,588,877) | 0 | (1,588,877) |
| Cash Payments for Contractual Services | (917,044) | 0 | (917,044) |
| Net Cash Provided by Operating Activities | <u>1,266,062</u> | <u>5,770</u> | <u>1,271,832</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Tax Receipts | <u>1,163</u> | <u>0</u> | <u>1,163</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>1,163</u> | <u>0</u> | <u>1,163</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Proceeds from Notes | 4,428,139 | 0 | 4,428,139 |
| Acquisition of Capital Assets | (4,968,471) | 0 | (4,968,471) |
| Principal Payments on Debt | (10,000) | 0 | (10,000) |
| Net Cash (Used for) Capital and Related Financing Activities | <u>(550,332)</u> | <u>0</u> | <u>(550,332)</u> |
| Net Increase in Cash and Cash Equivalents | 716,893 | 5,770 | 722,663 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,712,100</u> | <u>317,458</u> | <u>2,029,558</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,428,993</u> | <u>\$ 323,228</u> | <u>\$ 2,752,221</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | |
| Operating Income (Loss) | \$ (102,638) | \$ 6,280 | \$ (96,358) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | |
| Depreciation Expense | 569,520 | 0 | 569,520 |
| Changes in Assets and Liabilities: | | | |
| Decrease in Accounts Receivable | 210,951 | 560 | 211,511 |
| (Increase) in Materials and Supplies Inventory | (52,465) | 0 | (52,465) |
| Increase in Accounts Payable | 38,238 | 0 | 38,238 |
| Increase in Contracts Payable | 564,842 | 0 | 564,842 |
| Increase in Accrued Wages | 4,802 | 0 | 4,802 |
| Increase in Compensated Absences Payable | 15,307 | 0 | 15,307 |
| Increase in Intergovernmental Payable | 17,505 | 0 | 17,505 |
| (Decrease) in Deferred Revenue | 0 | (1,070) | (1,070) |
| Net Cash Provided by Operating Activities | <u>\$ 1,266,062</u> | <u>\$ 5,770</u> | <u>\$ 1,271,832</u> |

The accompanying notes are an integral part of these financial statements.

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**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 1: REPORTING ENTITY

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

A. Reporting Entity

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 Statement No. 14, “The Financial Reporting Entity.”

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 general purpose 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 general purpose financial statements (See Note 19). These organizations are:

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

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types - Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary and trust funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Proprietary Fund Type - Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types - Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the City's fiduciary fund types:

Expendable Trust Fund - This fund is accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups - To make clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group accounts for all unmatured long-term obligations of the City that are not specific liabilities of the proprietary funds including special assessment debt for which the City is obligated in some manner.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the general purpose financial statements are summarized below. The policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities unless they contradict or conflict with GASB pronouncements.

A. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources and measurement focus. With this measurement focus all assets and all liabilities associated with the operations of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is 60 days after year end.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax, motor vehicle license tax, government state tax, and homestead and rollback), fines and forfeitures and income tax withheld by employers.

The City reports deferred revenue on its combined balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2002, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type and the nonexpendable trust funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, have been budgeted and appropriated, as legally required.

The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council.

Tax Budget - At the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the fund, department, and object level. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are disclosed in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

C. Cash and Cash Equivalents

Cash received by the City is deposited in a pool in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through City records. Each funds' interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. During 2002, investments were limited to overnight repurchase agreements and interest in STAR Ohio, the State Treasury Asset Reserve. These investments are stated at cost which approximates market. Investment procedures are restricted by the provisions of the Ohio Revised Code.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. 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, 2002.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2002 amounted to \$120,831, which includes \$65,227 assigned from other City funds.

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

For presentation on the combined balance sheet, and for purposes of the combined statement of cash flows, investments with an original maturity of three months or less and cash and investments in the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

D. Estimates

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

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when items are purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which maintains that it does not constitute available spendable resources even though it is a component of net current assets.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

F. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between periods, but are accounted for as expenditures in the period of acquisition.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the General Fixed Assets Account Group. Fund fixed assets are capitalized in the proprietary fund that reports the activity in which the asset is used.

The City capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical record exists. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the General Fixed Assets Account Group are not depreciated. Proprietary fund fixed assets are depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------------------|-------------|
| Buildings | 40 years |
| Improvements other than buildings | 20-50 years |
| Equipment and machinery | 10-15 years |
| Furniture and fixtures | 15 years |
| Vehicles | 4 years |
| Sewer lines | 42-50 years |
| Water lines | 42-50 years |

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 is probable that the City will compensate employees for the benefits through time off or some other means. Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available financial resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed and reported as a fund liability.

I. Fund Equity

Reserves for retained earnings represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Contributed capital is recorded in proprietary funds that have received contributions from other funds. Contributions from developers or funds received from capital grants are recorded as non-operating revenue in proprietary funds. Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure including amounts legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory and loans receivable. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years. These amounts are presented as reserved for unclaimed monies. Fund balance has also been reserved for endowments to indicate the principal is legally restricted.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund as a reduction of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

K. Accrued and Long-Term Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. The liability for the pension contributions is included in "intergovernmental payable." Capital leases and bonds are recognized as a liability of the General Long-Term Obligations Account Group until due. Payments made more than sixty days after year-end are considered not to have been made with current available resources. The police and fire pension liability is recognized as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund.

Under Ohio Law, a debt retirement fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles (GAAP) require the allocation of the debt liability among the appropriate funds, and the General Long-Term Obligations Account Group, with principal and interest payments on matured general obligation bonds payable being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – ACCOUNTING CHANGES AND FUND BALANCE RESTATEMENTS

Effective January 1, 2002, the City changed its capitalization threshold policy from \$500 to \$5,000 in preparation of implementing in 2003 GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant accounting changes in order to comply with the new requirements include reporting depreciation and capital assets, reporting revenues net of discounts and allowances, eliminating inter-fund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

| | <u>Enterprise</u> | <u>General Fixed Asset Account Group</u> |
|--|----------------------|--|
| December 31, 2001 Fund Equity as previously reported | \$ 13,439,179 | \$ 15,590,951 |
| Change in accounting capitalization policy | <u>(138,187)</u> | <u>(1,500,451)</u> |
| January 1, 2002 Fund Equity, as restated | <u>\$ 13,300,992</u> | <u>\$ 14,090,500</u> |

There was no material effect on net income at December 31, 2001 as a result of these adjustments.

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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund, and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Funds are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with the state statute. 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. Outstanding year end encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type and nonexpendable trust funds (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the combined balance sheet (GAAP).

**CITY OF NEW PHILADELPHIA, OHIO
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

5. The City pays short-term note debt from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
6. Proprietary fund acquisition and construction of capital assets are reported on the operating statement (budget) rather than on the combined balance sheet (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

**Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund**

| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust |
|-----------------------------|---------------------|--------------------|------------------|---------------------|---------------------|
| GAAP Basis | \$ (183,605) | \$ 68,974 | \$ 105,551 | \$ 1,890,680 | \$ 1,334 |
| Revenue accruals | (67,220) | 156,043 | (14,996) | (141,306) | 0 |
| Proceeds of bonds | 136 | 0 | 612 | 524 | 0 |
| Proceeds from capital lease | (6,118) | 0 | 0 | 0 | 0 |
| Debt principal | (391,026) | 0 | 0 | 0 | 0 |
| Debt interest | (4,246) | 0 | 0 | 0 | 0 |
| Expenditure accruals | 33,295 | (25,863) | 0 | 116,878 | 0 |
| Transfer out | 0 | 0 | 660 | 0 | 0 |
| Transfer in | (136) | 0 | 0 | 0 | 0 |
| Encumbrances | (162,387) | (33,279) | 0 | (324,556) | 0 |
| Budget Basis | <u>\$ (781,307)</u> | <u>\$ 165,875</u> | <u>\$ 91,827</u> | <u>\$ 1,542,220</u> | <u>\$ 1,334</u> |

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Inactive deposits are public deposits that Council has identified as not required for use within the current two-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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 may be invested in the following obligations provided they mature or are redeemable within two years from the date of purchase:

1. United States Treasury Notes, Bills, Bonds, Notes, or any other obligation or security issued by the United States or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and 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 instruments in securities described in this division are made only through eligible institutions, and;
6. The State Treasury Asset Reserve (STAR Ohio).

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.

**CITY OF NEW PHILADELPHIA, OHIO
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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

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.

Cash on hand: At year-end, the carrying amount of the City’s cash on hand was \$300.

Deposits. At year-end, the carrying amount of the City’s deposits was \$6,642,471, and the bank balance was \$6,984,594. Of the bank balance:

1. \$400,000 was covered by federal depository insurance.
2. \$6,422,049 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.
3. \$162,545 was uncollateralized and uninsured. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institutions name, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

Investments. GASB Statement No. 3, “Deposits with Financial Institutions (including Repurchase Agreements), and Revenue Repurchase Agreements,” requires the City to categorize investments to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments which are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| | Category 2 | Carrying Value | Fair Value |
|----------------------|---------------|-------------------|---------------|
| Repurchase Agreement | \$ 1,354,675 | \$ 1,354,675 | \$ 1,354,675 |
| STAR Ohio | 0 | 1,081,266 | 1,081,266 |
| Total Investments | \$ 1,354,675 | \$ 2,435,941 | \$ 2,435,941 |

**CITY OF NEW PHILADELPHIA, OHIO
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined as investments with original maturities of three months or less.

A reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> |
|---|--|---------------------|
| GASB Statement No. 9 | \$ 9,078,712 | \$ 0 |
| Investments which are part of a cash management pool: | | |
| Repurchase Agreement | (1,354,675) | 1,354,675 |
| STAR Ohio | (1,081,266) | 1,081,266 |
| Cash on Hand | (300) | 0 |
| GASB Statement No. 3 | <u>\$ 6,642,471</u> | <u>\$ 2,435,941</u> |

NOTE 6: PROPERTY TAXES

Property taxes include amounts levied against all real and public property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2001, on the assessed value as of January 1, 2001, the lien date, and were collected in 2002. Assessed values are established by the State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2002 attached as a lien on December 31, 2001, were levied after October 1, 2001, and are collected with real property taxes. Public utility property taxes were assessed on tangible personal property at 88% of the true value. 2002 tangible personal property taxes were levied after October 1, 2001, on the value listed as of December 31, 2001, and were collected in 2002. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$332,972,675. Real estate represented 80% (\$267,349,840) of this total, public utility tangible personal property represented 3% (\$8,460,060) and general tangible personal property represented 17% (\$57,162,775). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2002, was \$9.62 per \$1,000 assessed valuation.

Real and public utility 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 earlier or later payment dates to be established.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes which became measurable as of December 31, 2002. However, since these tax collections will not be received during the available period, nor are they intended to finance 2002 operations, the receivable is offset by a credit to deferred revenue. The amount of the tax advance received during the available period and used to pay prior year obligations is recorded as current revenue.

NOTE 7: RECEIVABLES

Receivables at December 31, 2002 consisted of taxes, accounts (billed and unbilled user charged services), special assessments, loans (community development block grant monies loaned to local businesses) and intergovernmental receivables arising from grants, entitlements and shared revenues. Taxes, accounts, special assessments, loans and intergovernmental receivables are deemed collectible in full.

A summary of intergovernmental receivables follows:

| | <u>Amount</u> |
|----------------------------|---------------|
| General Fund: | |
| Estate tax | \$ 79,400 |
| Local government tax | 473,690 |
| Hotel tax | 4,674 |
| State local government tax | 40,217 |
| Homestead and Rollback | 58,581 |
| Other | <u>12,832</u> |
| Total General Fund | 669,394 |

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

| | |
|--|--------------------|
| Special Revenue Funds: | |
| Permissive tax | 44,587 |
| Gasoline tax | 183,549 |
| Motor vehicle license tax and fees | 86,316 |
| Homestead and Rollback | 52,233 |
| Community Housing Improvement Program: | |
| (CHIP) Grant | 477,655 |
| Other | <u>5,545</u> |
| Total Special Revenue Funds | 849,885 |
| | |
| Debt Service Funds: | |
| Homestead and Rollback | 12,633 |
| | |
| Capital Projects Funds: | |
| Community Development Block Grant (CDBG) | 107,604 |
| USDOT – Federal Highway Administration | 234,763 |
| Ohio Public Works Commission Grant | 370 |
| Federal Highway Administration Grant | <u>11,311</u> |
| Total Capital Projects Funds | 354,048 |
| | |
| Enterprise Funds: | |
| OWDA | <u>649,235</u> |
| Total | <u>\$2,535,195</u> |

NOTE 8: INCOME TAX

The City levies a municipal income tax of 1.0% 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 1.0% for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The street lighting special revenue fund and the debt service fund receive an allocation from the income tax that is established annually by Council. The balance is allocated 58% to the general fund and 20% to the master capital improvement capital projects fund, 14% to the street maintenance and repair special revenue fund, 6% to the police and fire pension special revenue fund, and 2% to the cemetery special revenue fund.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

NOTE 9: FIXED ASSETS AND DEPRECIATION

A summary of the enterprise fund's property, plant and equipment at December 31, 2002 follows:

| | |
|-----------------------------------|----------------------|
| Land | \$ 41,899 |
| Buildings | 3,923,505 |
| Improvements other than buildings | 462,249 |
| Equipment and machinery | 3,946,201 |
| Furniture and fixtures | 20,554 |
| Vehicles | 674,484 |
| Sewer lines | 3,853,418 |
| Water lines | 10,954,415 |
| Construction in progress | <u>4,898,973</u> |
| Total | 28,775,698 |
| | |
| Less: Accumulated depreciation | <u>(12,882,023)</u> |
| | |
| Net fixed assets | <u>\$ 15,893,675</u> |

A summary of changes in general fixed assets follows:

| | Beginning Balance (Restated) <u>01/01/2002</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>12/31/2002</u> |
|--------------------------------------|---|---------------------|---------------------|------------------------------|
| Land | \$ 706,947 | \$ 110,309 | \$ 0 | \$ 817,256 |
| Buildings | 4,752,412 | 646,007 | 0 | 5,398,419 |
| Improvements other than buildings | 2,776,307 | 433,485 | (40,465) | 3,169,327 |
| Equipment and machinery | 2,741,100 | 223,430 | (122,231) | 2,842,299 |
| Furniture and fixtures | 110,091 | 0 | 0 | 110,091 |
| Vehicles | 3,003,643 | 125,559 | (195,027) | 2,934,175 |
| Construction in progress | <u>0</u> | <u>159,429</u> | <u>0</u> | <u>159,429</u> |
| | | | | |
| Total | <u>\$ 14,090,500</u> | <u>\$ 1,698,219</u> | <u>\$ (357,723)</u> | <u>\$ 15,430,996</u> |

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 2002, the City contracted with several companies for various types of insurance as follows:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Deductible</u> |
|--------------------------|--------------------------------|--|
| Scottsdale Indemnity Co. | Public Officials Liability | \$ 5,000 |
| | Law Enforcement Liability | 5,000 |
| Indiana Insurance | Building and personal property | 1,000 |
| | Boiler and machinery | 1,000 |
| | Commercial inland marine | Various |
| | Commercial auto | \$100 comprehensive \$1,000 collision |
| Scottsdale Indemnity Co. | General Liability | None |

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

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. The City pays 4.5% of the 8.5% employee contribution as an additional benefit to certain employees in the AFSCME Union and Municipal Court. The City is required to contribute 13.55%. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$587,216, \$568,510 and \$428,867, respectively. The full amount has been contributed for 2001 and 2000. 77.3% has been contributed for 2002 with the remainder being reported as a liability in general, special revenue, and enterprise funds.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. 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. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24.0% for firefighters. Contributions are authorized by state statute. The City's contributions to the OP&F for police and firefighters were \$174,831 and \$238,626 for the year ended December 31, 2002, \$166,971 and \$230,604 for 2001, and \$163,064 and \$216,645 for 2000. The full amount has been contributed for 2001 and 2000 and 76.72% and 76.9%, respectively, has been contributed for 2002 with the remainder being reported as a liability within the General Long-Term Obligations Account Group.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2002, the unfunded liability of the City was \$169,295, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the General Long-Term Obligations Account Group.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by state statute. The 2002 employer contribution rate was 13.55% of covered payroll; 5.00% was the portion that was used to fund health care for 2002.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2000, include a return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

The number of active contributing participants was 402,041. The City's actual contributions for 2002, which were used to fund postemployment benefits were \$216,685. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001 (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

B. Ohio Police and Fire Pension Fund

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

**CITY OF NEW PHILADELPHIA, OHIO
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2002. For 2001, the percent used to fund healthcare was 7.50%. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$69,408 for police and \$77,076 for fire. The OP&F's total health care expenses for the year ended December 31, 2001 (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001 was 13,174 for police and 10,239 for firefighters.

NOTE 13: OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City contracts with AultCare for major medical insurance for all full-time employees, Vision Service Plan for vision insurance for all full-time employees, and AFSCME Care Plan for full-time AFSCME union employees. The City pays total monthly premiums of \$169.75 single major medical, \$389.95 family major medical, \$.88 single eye care, \$2.00 family eye care and dental insurance premiums. City employees are required to pay \$0.35 per month for major medical insurance, with the remainder being paid by the City. These premiums are paid from the same funds that pay the employees' salaries.

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

B. Compensated Absences

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

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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, 2002, the total liability for unpaid compensated absences was \$745,930.

NOTE 14: CAPITALIZED LEASES - LESSEE DISCLOSURE

In 2002, the City entered into new leases for the acquisition of one copy machine and one fire truck. In prior years the City entered into capitalized leases for the acquisition of two copy machines and three generators. All leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reclassified and reflected as debt service in the general purpose financial statements for the governmental funds. These expenditures are also reflected as debt service expenditures on the budgetary basis.

The fixed assets acquired by the leases have been capitalized in the General Fixed Assets Account Group and the enterprise funds in the amounts of \$97,351 and \$378,000, respectively, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group and is reduced for each required principal payment.

The 2002 fire truck lease proceeds are being held in escrow until possession of the fire truck takes place in 2003, at which time it will be capitalized for \$475,731.

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, 2002:

| | Fire Equipment | Income Tax Copier | Generators | Municipal Court Copier | Mayor's Office Copier | Total |
|--|-------------------|-------------------------|-------------------|------------------------------|-----------------------------|-------------------|
| 2003 | \$ 53,328 | \$ 1,507 | \$ 56,452 | \$ 6,370 | \$ 884 | \$ 118,541 |
| 2004 | 53,328 | 1,506 | 56,453 | 6,370 | 0 | 117,657 |
| 2005 | 53,328 | 1,507 | 56,452 | 6,371 | 0 | 117,658 |
| 2006 | 53,328 | 1,506 | 56,453 | 6,372 | 0 | 117,659 |
| 2007 | 53,329 | 0 | 56,452 | 0 | 0 | 109,781 |
| 2008-2012 | 266,641 | 0 | 118,544 | 0 | 0 | 385,185 |
| | <u>533,282</u> | <u>6,026</u> | <u>400,806</u> | <u>25,483</u> | <u>884</u> | <u>966,481</u> |
| Less: amount representing interest | <u>(107,551)</u> | <u>(934)</u> | <u>(73,627)</u> | <u>(2,701)</u> | <u>(9)</u> | <u>(184,822)</u> |
| Present value of minimum lease payments | <u>\$ 425,731</u> | <u>\$ 5,092</u> | <u>\$ 327,179</u> | <u>\$ 22,782</u> | <u>\$ 875</u> | <u>\$ 781,659</u> |

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

NOTE 15: LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the City during 2002 were as follows:

| | Outstanding 1/1/2002 | Additions | (Reductions) | Outstanding 12/31/2002 |
|--|-------------------------|---------------|----------------|---------------------------|
| Enterprise Fund obligations: | | | | |
| 1991 Ohio Public Works Commission (OPWC) loan - sewer repair - 0% | \$ 100,000 | \$ 0 | \$ (10,000) | \$ 90,000 |
| 2001 Ohio Water Development Authority (OWDA) loan - sewer plant expansion and upgrade - 3.2% | 460,536 | 4,428,139 | 0 | 4,888,675 |
| Total Enterprise Fund obligations | 560,536 | 4,428,139 | (10,000) | 4,978,675 |
| General long-term obligations: | | | | |
| General Obligation Bonds: | | | | |
| 1998 City Improvement Bonds - 5.25%-7.25% | 1,065,000 | 0 | (1,065,000) | 0 |
| 1989 Park Improvement Bonds - 6.15%-7.25% | 1,270,000 | | (1,270,000) | 0 |
| 2002 City Improvement Bonds - 2.30%-5.00% | 0 | 3,745,000 | (185,000) | 3,560,000 |
| 2002 Park Improvements Bonds - 3.60%-5.50% | 0 | 1,270,000 | (160,000) | 1,110,000 |
| 1990 Downtown Improvement Bonds - 6.1%-7.25% | 148,127 | 0 | (17,716) | 130,411 |
| Total General Obligation Bonds | 2,483,127 | 5,015,000 | (2,697,716) | 4,800,411 |
| Special Assessment Bond - 6.1%-7.25% | 311,873 | 0 | (37,284) | 274,589 |
| 2001 Elks Building Note - 6% | 677,794 | 0 | (677,794) | 0 |
| Capital leases: | | | | |
| 1997 Copier lease | 5,679 | 0 | (4,804) | 875 |
| 2000 Generators | 364,177 | 0 | (36,998) | 327,179 |
| 2001 Copier lease | 27,319 | 0 | (4,537) | 22,782 |
| 2002 Fire equipment | 0 | 425,731 | 0 | 425,731 |
| 2002 Copier lease | 0 | 6,118 | (1,026) | 5,092 |
| Compensated absences | 464,679 | 104,701 | 0 | 569,380 |
| Intergovernmental payable | 109,966 | 113,471 | (109,966) | 113,471 |
| Police and Fire Pension payable | 171,687 | 0 | (2,392) | 169,295 |
| Total General Long-Term Obligations | 4,616,301 | 5,665,021 | (3,572,517) | 6,708,805 |
| Totals | \$ 5,176,837 | \$ 10,093,160 | \$ (3,582,517) | \$ 11,687,480 |

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

On April 15, 2002, the City issued \$1,270,000 in Park Improvement Refunding Bonds with an average interest rate of 4.5% to advance refund \$1,270,000 of outstanding 1989 Park Improvement Bonds with interest rates of 6.15% to 7.25%. The net proceeds of \$1.27 million (after payment of \$32,610 in underwriting fees, insurance, and other issuance costs) was used to retire the original bonds. As a result, the 1989 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The refunded bonds are not included in the City's outstanding debt since the City has satisfied its obligation through the advance refunding. The principal balance of the Park Improvement refunded bonds at December 31, 2002 was \$10,344.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying GPFS.

The City advance refunded the 1989 Series bonds to reduce its total debt service payments over the next 7 years by almost \$145,586.

Additionally, on April 15, 2002, the City issued \$3,745,000 in Various Purpose Refunding and Improvement Bonds with an average interest rate of 4.2% to advance refund \$1,065,000 of outstanding 1998 City Improvement Bonds with interest rates of 5.25% to 7.25%, 2001 Elks Building Note with an interest rate of 6%, 18th Street Bridge Note with an interest rate of 4.35%, and provide \$1,500,000 for the building renovation project. The net proceeds of \$3.64 million (after payment of \$101,610 in underwriting fees, insurance, and other issuance costs) was used to retire the original bonds and provide funds for the building renovation project. As a result, the 1998 City Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The refunded bonds are not included in the City's outstanding debt since the City has satisfied its obligation through the advance refunding. The principal balance of the City Improvement refunded bonds at December 31, 2002 was \$20,000.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying GPFS.

The City advanced refunded the 1998 Series bonds to reduce its total debt service payments over the next 20 years by almost \$126,000.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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

The City's overall legal debt margin was \$31,411,210 at December 31, 2002.

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 \$8,130,701, and as of December 31, 2002, the City had drawn \$4,888,675. The City will begin repaying the loan in 2004 and they will not receive an amortization schedule until the loan is completely drawn down.

The City was awarded a new loan from the Ohio Water Development Authority in the amount of \$1,645,800. The proceeds of this loan are being used to purchase and protect wetlands for a Bass Lake project in Geauga County. The City entered into this loan agreement in exchange for a drastically reduced interest rate on other OWDA debt. As of December 31, 2002, the City had not drawn down any of this loan.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002 are as follows:

| | <u>Ohio Public Works Commission</u> | <u>General Obligation Bonds</u> | <u>Special Assessment Bond</u> | <u>Police and Fire Pension</u> | <u>Totals</u> |
|-----------|---|---|--|--|---------------------|
| 2003 | \$ 5,000 | \$ 637,202 | \$ 57,198 | \$ 9,663 | \$ 709,063 |
| 2004 | 10,000 | 640,588 | 57,884 | 9,663 | 718,135 |
| 2005 | 10,000 | 631,713 | 58,325 | 9,663 | 709,701 |
| 2006 | 10,000 | 631,243 | 58,520 | 9,663 | 709,426 |
| 2007 | 10,000 | 633,844 | 58,469 | 9,663 | 711,976 |
| 2008-2012 | 45,000 | 1,467,608 | 58,172 | 48,316 | 1,619,096 |
| 2013-2017 | 0 | 1,053,088 | 0 | 48,316 | 1,101,404 |
| 2018-2022 | 0 | 834,415 | 0 | 48,316 | 882,731 |
| 2023-2027 | 0 | 0 | 0 | 48,316 | 48,316 |
| 2028-2032 | 0 | 0 | 0 | 48,316 | 48,316 |
| 2033-2035 | 0 | 0 | 0 | 23,723 | 23,723 |
| | <u>\$ 90,000</u> | <u>\$ 6,529,701</u> | <u>\$ 348,568</u> | <u>\$ 313,618</u> | <u>\$ 7,281,887</u> |

NOTE 16: NOTE DEBT

The City's note activity, including amounts outstanding, interest rates and the purpose for which the note was issued, is as follows:

| | <u>Outstanding 01/01/02</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Outstanding 12/31/02</u> |
|---|---------------------------------|------------------|---------------------|---------------------------------|
| General Fund: 18 th Street Bridge-4.35% | <u>\$ 390,000</u> | <u>\$ 0</u> | <u>\$ (390,000)</u> | <u>\$ 0</u> |

The note was backed by the full faith and credit of the City. The note had a term of one year.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

NOTE 17: SEGMENT INFORMATION

The City's enterprise funds account for the provision of water and sewer services. The table below reflects in a summarized format, the more significant financial data relating to the enterprise funds of the City as of and for the year ended December 31, 2002.

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|---|--------------|--------------|--------------|
| Operating revenues | \$ 2,203,736 | \$ 1,556,215 | \$ 3,759,951 |
| Operating expenses | 1,934,118 | 1,358,951 | 3,293,069 |
| Depreciation | 423,118 | 146,402 | 569,520 |
| Operating income (loss) | (153,500) | 50,862 | (102,638) |
| Tax revenue | 1,203 | 0 | 1,203 |
| Intergovernmental revenue | 0 | 643,971 | 643,971 |
| Gain on sale of fixed assets | 0 | 17,629 | 17,629 |
| Net income (loss) | (152,297) | 728,350 | 576,053 |
| Current capital contributions | 0 | 15,888 | 15,888 |
| Fixed Assets: | | | |
| Additions | 60,954 | 4,947,325 | 5,008,279 |
| Net working capital | 2,222,001 | 916,594 | 3,138,595 |
| Total assets | 10,481,922 | 9,372,406 | 19,854,328 |
| OPWC Loan, OWDA loan, and other long-term liabilities to be paid from fund revenues | 96,160 | 659,065 | 755,225 |
| Total equity | 10,260,312 | 3,616,733 | 13,877,045 |
| Encumbrances outstanding at 12/31/2002 | 350,307 | 65,288 | 415,595 |

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

NOTE 18: CONTRACTUAL COMMITMENTS

As of December 31, 2002, the City had contractual commitments for the following projects:

| | <u>Contractual Commitment</u> | <u>Expended</u> | <u>Balance 12/31/2002</u> |
|--|-----------------------------------|---------------------|-------------------------------|
| W. E. Quicksall - Various engineering contracts | \$ 523,964 | \$ 259,903 | \$ 264,061 |
| Wood Electric - lights at ballpark | 77,100 | 35,227 | 41,873 |
| Raeder Construction - remodeling | 884,770 | 0 | 884,770 |
| Lepi Enterprises - asbestos handling | 10,815 | 0 | 10,815 |
| MKC Associates - remodeling | 134,149 | 106,714 | 27,435 |
| Southway Fence - fence at airport | 46,856 | 42,170 | 4,686 |
| RD Zande & Associates - airport improvements | 45,059 | 34,657 | 10,402 |
| Northern Valley Contractors - WWTP upgrade | 6,886,000 | 4,278,751 | 2,607,249 |
| Stanley Miller - WWTP upgrade | 490,000 | 0 | 490,000 |
| T & T Maintenance - Water storage tank rehabilitation | 269,127 | 176,224 | 92,903 |
| Trispan Corp. - South Broadway paving | 973,631 | 0 | 973,631 |
| Perram Electric - lighting at airport | 172,316 | 0 | 172,316 |
| M. P. Dory Co. - fence at airport | 72,410 | 0 | 72,410 |
| RD Zande & Associates - engineering at airport | 18,000 | 0 | 18,000 |
| Standard Plumbing & Heating - WTP dehumidifier | 61,200 | 0 | 61,200 |
| Soehnlén Plumbing - Muni bldg. renovation | 97,711 | 0 | 97,711 |
| Metal Masters - mechanical at muni building | 376,800 | 0 | 376,800 |
| Wood Electric - electrical at muni building | 244,470 | 0 | 244,470 |
| S.S. Sprinkler - sprinkler at muni building | 34,900 | 0 | 34,900 |
| | <u>\$ 11,419,278</u> | <u>\$ 4,933,646</u> | <u>\$ 6,485,632</u> |
| Totals | <u>\$ 11,419,278</u> | <u>\$ 4,933,646</u> | <u>\$ 6,485,632</u> |

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 exists to advance, encourage and promote industrial, economic, commercial and civic development within Tuscarawas County. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugarcreek and Gnadenuhuten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city or village and fifteen 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 2002, no monies were paid by the City.

B. Tuscarawas County Regional Planning Commission

The City is also associated with the Tuscarawas County Regional Planning Commission (“Commission”) as a Jointly Governed Organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County, municipalities and townships. Of the 74 members, the City appoints one. Each member’s control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and social, economic and governmental characteristics, functions and services of the county. In 2002, the City contributed \$1,499, which represents 16.95% of total contributions.

C. Southeastern Ohio Narcotics Team (S.E.N.T.)

The City is also associated with the Southeastern Ohio Narcotics Team (S.E.N.T.), as a Jointly Governed Organization. S.E.N.T. is a multi-jurisdictional drug task force with the primary goal of combating major narcotic traffickers in Belmont, Carroll, Guernsey, Harrison, Monroe and Tuscarawas counties. It is jointly governed among the participating counties and cities. A grant is received from the State of Ohio of which the participating entities must match 25%. Of the 15 members, the City appoints one. Each member’s control over the operation of S.E.N.T. is limited to its representation on the board. In 2002, the City contributed \$5,117, which represents 18.44% of total contributions.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

D. 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 2002, OMEGA received \$2,047 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.

E. Tax Incentive Revenue Council (TIRC)

The Tax Incentive Revenue Council 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 2002, no monies were paid by the City.

NOTE 20: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2002.

**CITY OF NEW PHILADELPHIA, OHIO
TUSCARAWAS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

B. Litigation

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

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**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Grant Number | Federal CFDA Number | Receipts | Expenditures |
|--|---------------------------------|---------------------------|---------------------------|---------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <i>Passed through Ohio Department of Development:</i> | | | | |
| Community Development Block Grants | A-F-01-154-1 | 14.228 | \$76,896 | \$115,421 |
| HOME Investment Partnerships Program | A-C-00-154-2 | 14.239 | <u>213,127</u> | <u>242,089</u> |
| Total U.S. Department of Housing and Urban Development | | | 290,023 | 357,510 |
| U.S. DEPARTMENT OF JUSTICE | | | | |
| <i>Passed through the State of Ohio Office of Criminal Justice Services:</i> | | | | |
| Local Law Enforcement Block Grant | 2001-LE-LEB-3508 | 16.592 | 20,349 | 20,349 |
| U.S. DEPARTMENT OF FEDERAL AVIATION ADMINISTRATION | | | | |
| <i>Direct:</i> | | | | |
| Airport Improvement Program | 3-39-0060-0201 | 20.106 | 56,097 | 69,911 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | |
| <i>Passed through the Ohio Department of Transportation:</i> | | | | |
| Highway Planning and Construction Cluster | 18809-10204 | 20.205 | <u>765,237</u> | <u>765,237</u> |
| Total | | | <u>\$1,131,706</u> | <u>\$1,213,007</u> |

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – REVOLVING LOAN PROGRAM

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

These loans are collateralized by mortgages on the property and by promissory notes. In addition, all revolving loans funds are secured by personal guarantees, to the greatest extent possible. At December 31, 2002, the gross amount of loans outstanding under this program were \$23,653, including delinquent amounts due of \$12,865.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Honorable Mayor and City Council:

We have audited the general purpose financial statements of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated September 5, 2003, in which we noted the City changed its fixed asset capitalization threshold. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 5, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 2002-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 5, 2003.

This report is intended solely for the information and use of the audit committee, management, City Council and 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.

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

Betty Montgomery
Auditor of State

September 5, 2003



Auditor of State Betty Montgomery

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

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

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of New Philadelphia, Tuscarawas County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The City's major federal program is 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion of 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

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

However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 5, 2003.

This report is intended for the information and use of the audit committee, management, City Council and 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.

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

Betty Montgomery
Auditor of State

September 5, 2003

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002**

| |
|--|
| 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)? | Yes |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Highway Planning and Construction Cluster, CFDA # 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? | Yes |

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

FINDING NUMBER 2002-001

Material Weakness

Bank Reconciliations

The former City Treasurer did not prepare monthly bank reconciliations for both the general and the payroll bank accounts during 2002. The City did not have a reconciled cash balance until May 2003 after appointing a new Treasurer in December 2002. The lack of timely and complete monthly bank reconciliations increases the possibility that errors or irregularities may occur and not be detected timely. In addition, the City's ability to identify lingering reconciling items, including stale dated checks, is impaired.

The City Treasurer should perform timely monthly bank reconciliations to help ensure detection of errors or irregularities that may occur. The City Auditor should review the reconciliation and record adjustments to the City's ledger as errors are identified. In addition, Council should periodically review these reconciliations and follow up on significant or unusual items to better monitor the finances of the City.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CITY OF NEW PHILADELPHIA
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 2001-21279-001 | Monthly bank-to-book reconciliations for both the general and the payroll bank accounts were not performed for 2001, until June 2002 | No | Not Corrected – See Schedule of Findings No. 2002-001. |



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CITY OF NEW PHILADELPHIA

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 9, 2003**