

**VILLAGE OF NEW KNOXVILLE**

DAYTON REGION, AUGLAIZE COUNTY, OHIO

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009





# Dave Yost • Auditor of State

Village Council  
Village of New Knoxville  
P. O. Box 246  
New Knoxville, Ohio 45871-0246

We have reviewed the *Independent Auditors' Report* of the Village of New Knoxville, Auglaize County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 28, 2011

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**VILLAGE OF NEW KNOXVILLE  
AUGLAIZE COUNTY**

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AUGLAIZE COUNTY**

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# Manning & Associates

## Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

### INDEPENDENT AUDITORS' REPORT

Members of Council  
Village of New Knoxville  
Auglaize County  
PO Box 246  
New Knoxville, Ohio 45871-0246

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Village of New Knoxville, Auglaize County, Ohio, (the Village), as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of New Knoxville, Auglaize County, Ohio, as of December 31, 2010 and 2009, and the respective changes in cash financial position, thereof and the respective budgetary comparisons for the General and Street Construction funds for 2010 and 2009 thereof and for the years then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

Manning & Associates CPAs, LLC  
Dayton, Ohio

June 9, 2011



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Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2010*  
*Unaudited*

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This discussion and analysis of the Village of New Knoxville's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2010, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2010 are as follows:

Net assets of governmental activities increased \$95,948, or 26.3 percent. Business type activities saw an increase in net assets of \$144,143 or 22.86 percent.

Municipal Income Tax represents 56.62 percent of the Village's general receipts for 2010. Property Taxes, Excise Tax, and Grants and Entitlements make up 10.57, 8.04 and 19.17 percent respectively of the total general receipts for governmental activities during the year. Income tax receipts for 2010 decreased 8.60 percent or \$24,209 from 2009. Receipts from Grants and Entitlements saw a decrease of \$33,318 or 27.66 percent overall, however Local Government remained basically unchanged. The Village received \$35,998 (14 percent) less inheritance tax in 2010 than in 2009.

Capital expenditures in 2010 were minimal and included:

- \$4,895.67 Fire equipment purchased through expenditure of a portion of an annuity granted to the fire department. \$11,889 of annuity funds remains for the fire department to expend.
- \$18,000 state stimulus funds received and disbursed for the 2009 Bremen and Walnut Streets Issue I paving project (New Knoxville's portion). \$32,589 Issue I construction project for paving portions of Bremen and Walnut Streets. Total Village portion of the project was \$14,589.38, while state stimulus dollars funded \$18,000 of the project, which the Village did not receive in 2009.
- Miscellaneous capital expenditures including \$2,000 fire communications, a used truck purchased through state surplus for \$3,450, a used digger truck purchased from the Village of Minster for \$55,000, and \$27,216 capital expenses to update and maintain the electric distribution system.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. All other non-major funds are presented in total in a single column.

Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**Using the Basic Financial Statements**, (continued)

**Report Components**, (continued)

The notes to the financial statements are an integral part of the Village-wide and fund financial statements, provide expanded explanation, and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Because of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable), and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
*Unaudited*

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**Reporting the Village as a Whole**, (continued)

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities. Most of the Village's basic services are reported here, including police, fire, streets, and parks. State and federal grants, and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activity. The Village has three business-type activities, the provision of water, of sewer, and of electric. A fee charged to the customers receiving the service finances business-type activities.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds in order to manage its many activities, and to help demonstrate that money that is restricted as to how it may be used, is being spent for the intended purpose. Village funds are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds, the water fund, the sewer fund, and the electric fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government's programs. The Village has one fiduciary fund, the Mayors Court fund. At December 21, 2010, the balance is \$0.

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2010 compared to 2009 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Equity in Pooled Assets	460,793	364,845	774,806	630,663	1,235,599	995,508
Total Assets	460,793	364,845	774,806	630,663	1,235,599	995,508
<b>Net Assets</b>						
Restricted for:						
Capital Projects	92,006	26,006			92,006	26,006
Debt Services	3,708	11,381	11,662	9,331	15,370	20,712
Other Purposes	129,993	97,104			129,993	97,104
Unrestricted	235,087	230,355	763,144	621,332	998,231	851,686
Total Net Assets	460,793	364,845	774,806	630,663	1,235,599	995,508

As mentioned previously, net assets of governmental activities increased \$95,948, or 26.3 percent during 2010. Considerations are as follows:

- General Receipts, those not associated with a specific village “program”, for governmental activities saw a decrease of \$99,007 or 17.89 percent over all in 2010.
  - In 2010, property tax receipts and municipal income tax receipts declined at \$2,895 or 5.68 percent and \$24,209 or 8.6 percent respectively.
  - Village secured no loans or financing in 2010, compared to \$30,331 in 2009.
  - Village sold no properties in the Westphalia sub-division, compared to two sales in 2009.
  - Earnings on investments once again declined for another \$1,749 or 34.79 percent, making total loss since 2007 approximately \$31,510 annually.

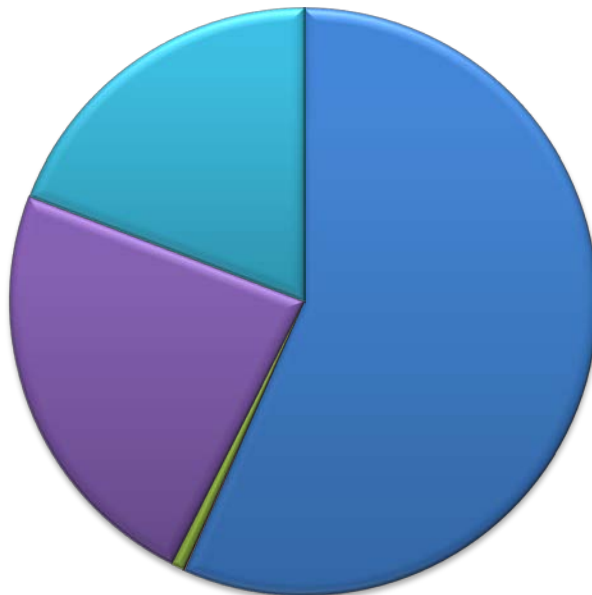
Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

### General Receipts - 2009



- Municipal Income Tax  
\$281,598
- Sale of Notes  
\$30,331
- Sale of Fixed Assets  
\$12,776
- Interest Income  
\$5,030
- Other Tax & Income  
\$103,392
- Grants & Entitlements  
\$120,445

### General Receipts - 2010



- Municipal Income Tax  
\$257,389
- Sale of Fixed Assets  
\$400
- Interest income  
\$3,280
- Other Tax & Income  
\$106,369
- Grants & Entitlements  
\$87,127

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

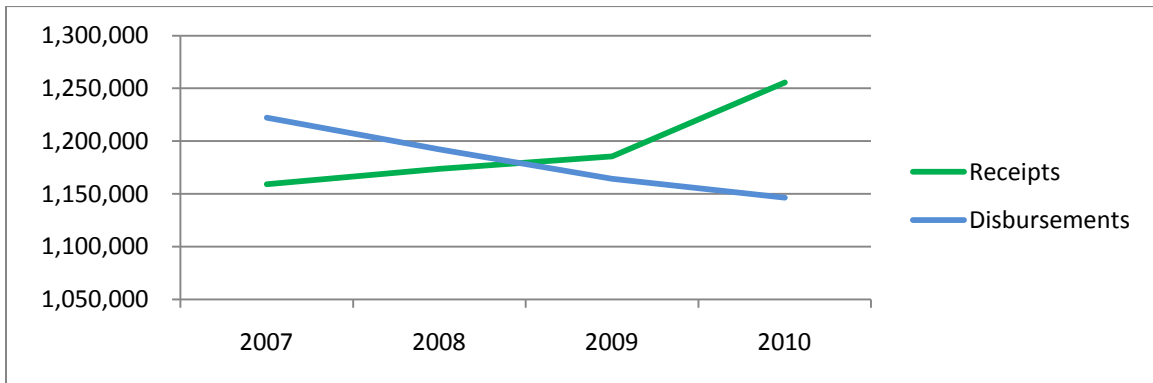
**GOVERNMENTAL FUNDS**



**CHART OF GOVERNMENTAL ACTIVITIES**

Chart above illustrates the Village's sensitivity to the current financial climate, as disbursements have been reduced in response to decreased revenue. In anticipation of this dynamic, Village officials restricted spending and have begun developing forecasting measures in an attempt to ensure the Village's financial stability.

**BUSINESS-TYPE FUNDS**

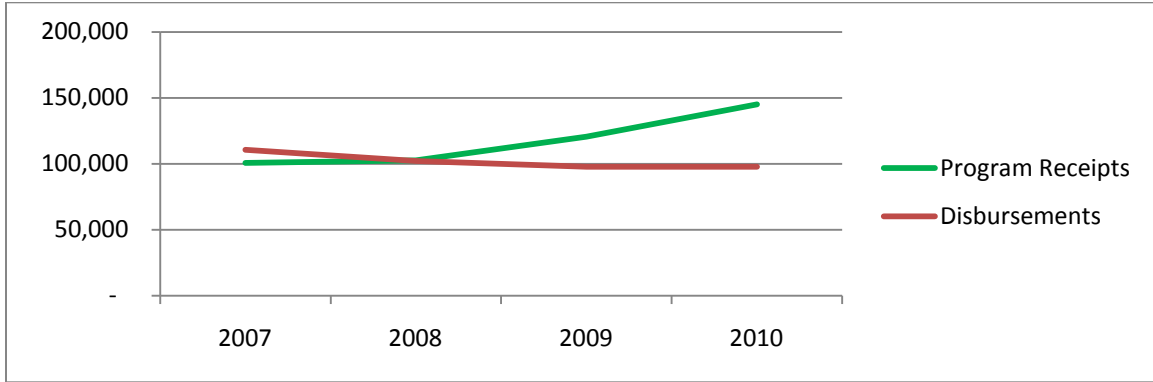


**CHART OF BUSINESS-TYPE ACTIVITIES**

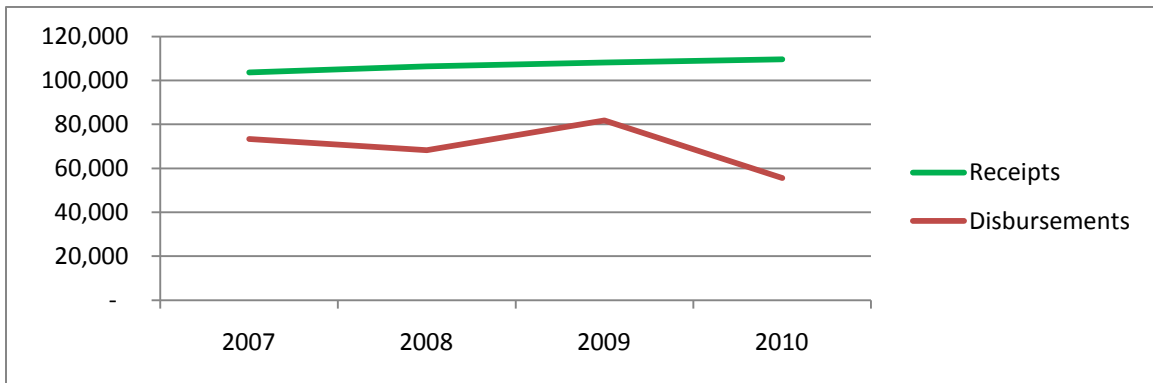
Above chart represents revenue received and disbursements made since 2007 in the Village's enterprise funds and shows the Village's focus to ensure stability of the funds and to prepare and forecast for future capital needs.

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

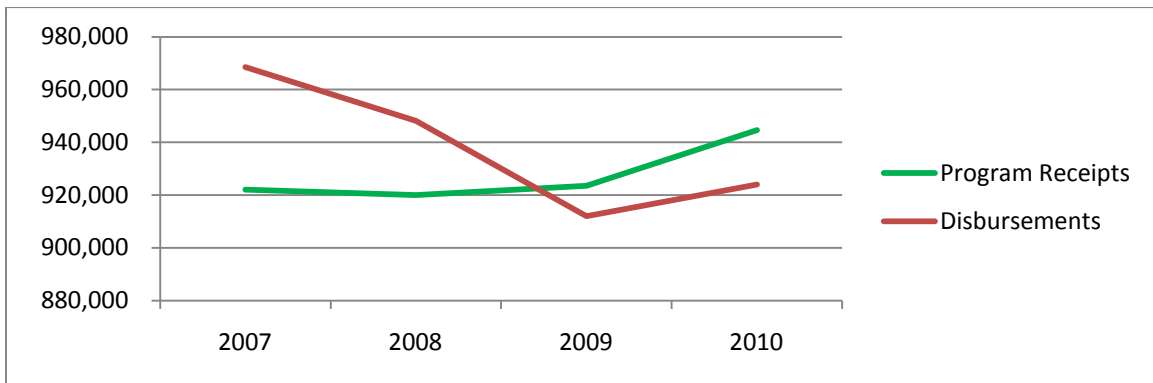
**WATER FUND**



**SEWER FUND**



**ELECTRIC FUND**

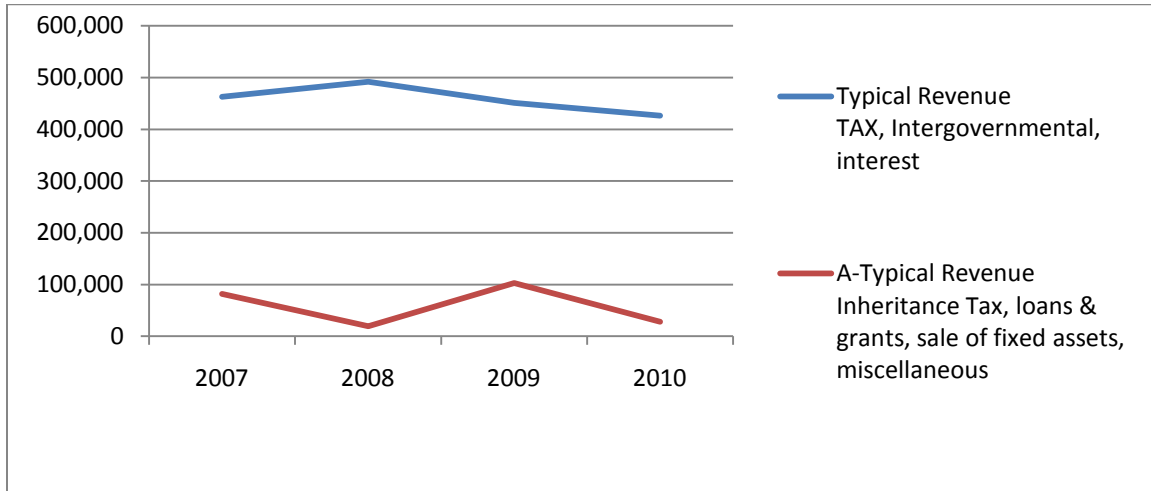




Village of New Knoxville  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2010  
 Unaudited

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Village general receipts, including municipal income tax, local government revenue, and earnings on investments once again declined as you can see in the chart below. Non-typical sources of revenue which includes sale of fixed assets, inheritance tax, and proceeds of debt declined in 2010, these sources are inconsistent sources of revenue, therefore not reliable for planning operational needs of the Village.



- Total premium for worker's compensation for 2010 was \$8,576, a decrease of \$33,945 which resulted from the Village's eligibility and participation in the BWC's group rating discount.
- Disbursements for governmental activities decreased 34.83 percent or \$275,801.
  - Disbursements under Security for Persons and Property (which includes the Fire and Police Departments) decreased 29.71 percent.
    - In 2010, total police department expenses were reduced 5.67 percent, \$2,344.
    - Expenditures for fire services saw an increase of 10.75 percent, or \$6,064 over 2009.
- Capital expenditures decreased dramatically for governmental activities from \$199,894 in 2009 to \$28,758 in 2010.
- Village council approved no wage increases for Village employees for 2010.

Table 2 reflects the changes in net assets on a cash basis in 2010 and 2009 for governmental activities, business-type activities, and total primary government.

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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

	Governmental		Business Type		Total	
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009	2010	2009
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$87,030	\$109,168	\$1,204,561	\$1,159,907	\$1,291,591	\$1,269,076
Operating Grants and Contributions	76,865	50,188	0	0	\$76,865	\$50,188
Capital Grants and Contributions	28,413	124,904	20,513	20,779	\$48,925	\$145,683
<b>Total Program Receipts</b>	<b>192,308</b>	<b>284,260</b>	<b>1,225,073</b>	<b>1,180,686</b>	<b>1,417,381</b>	<b>1,464,946</b>
General Receipts:						
Property Taxes Levied for General Purposes	48,053	50,948			48,053	50,948
Other Local Taxes (KwH Excise Tax)	36,562	34,915	1,964	2,067	38,526	36,982
Income Taxes	257,389	281,598			257,389	281,598
Grants and Entitlements Not Restricted to Specific Programs	87,127	120,445			87,127	120,445
Debt	2,438	30,331			2,438	30,331
Sale of Fixed Assets	400	12,776			400	12,776
Other Financing Sources		3,456				3,456
Interest	3,280	5,029			3,280	5,029
Miscellaneous	19,315	14,073	28,542	2,873	47,857	16,946
<b>Total General Receipts</b>	<b>454,564</b>	<b>553,571</b>	<b>30,506</b>	<b>4,940</b>	<b>485,070</b>	<b>558,511</b>
<b>Total Receipts</b>	<b>646,872</b>	<b>837,831</b>	<b>1,255,579</b>	<b>1,185,626</b>	<b>1,902,451</b>	<b>2,023,457</b>
Disbursements:						
General Government	180,641	215,298			180,641	215,298
Security of Persons and Property:	105,077	149,605			105,077	149,605
Public Health Services	52	53			52	53
Leisure Time Activities	37,925	33,139			37,925	33,139
Basic Utilities	23,345	30,855			23,345	30,855
Transportation	25,004	34,015			25,004	34,015
Capital Outlay	28,758	199,894			28,758	199,894
Principal Retirement	102,113	112,472			102,113	112,472
Interest and Fiscal Charges	13,085	16,495			13,085	16,495
Other	25				25	0
Water Operating			97,739	97,709	97,739	97,709
Sewer Operating			55,524	81,840	55,524	81,840
Electric Operating			923,975	911,962	923,975	911,962
WATER BOND			30,853	31,640	30,853	31,640
SPECIAL ASSESSMENT - water			19,228	19,747	19,228	19,747
Note Retirement Issue II - water			15,266	15,266	15,266	15,266
Enterprise Debt Service Reserve				0	0	0
Enterprise Deposit Fund			3,750	5,972	3,750	5,972
<b>Total Disbursements</b>	<b>516,025</b>	<b>791,826</b>	<b>1,146,335</b>	<b>1,164,136</b>	<b>1,662,360</b>	<b>1,955,962</b>
Excess (Deficiency) Before Transfers	130,847	46,005	109,244	21,490	240,091	67,495
Transfers	(34,899)	(27,758)	34,899	27,758	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>95,948</b>	<b>18,247</b>	<b>144,143</b>	<b>49,248</b>	<b>240,091</b>	<b>67,495</b>
<i>Net Assets Beginning of Year</i>	364,845	346,598	630,663	581,415	995,508	928,013
<i>Net Assets End of Year</i>	<b>\$460,793</b>	<b>\$364,845</b>	<b>\$774,806</b>	<b>\$630,663</b>	<b>\$1,235,599</b>	<b>\$995,508</b>

Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2010*  
*Unaudited*

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Program receipts represent only 29.73 percent of total receipts for governmental activities with the primary sources of revenue generally including restricted intergovernmental receipts such as motor vehicle license and gas tax money, revenue from refuse sales, and charges to Washington Township for fire and rescue services provided under contract. Program receipts for the Village's Business Type Activities represent 97.57 percent of total revenue.

General receipts represent 70.27 percent of the Village's total receipts for governmental activities. Municipal income tax makes up more than 56 percent of the general receipts while other local (excise) taxes and state and federal grants and entitlements make up 8 percent, 19 percent, respectively. Interest and other receipts are somewhat insignificant and rather unpredictable sources of revenue.

Program receipts represent 97.5 percent of receipts for business type activities. General receipts represent 2.5 percent of receipts for business type activities.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of administration, council, legal services, fiscal officer, and the municipal building, as well as internal services such as payroll and purchasing. These costs do not correspond to direct services to residents and in 2010, 35 percent of unrestricted General Fund receipts were required to cover these cost of running the Village.

Security of Persons and Property reflects the costs of providing police and fire protection; Leisure Time Activities are the costs of maintaining the parks and playing fields; Basic Utility Service is paid by the village for refuse collection; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2010 were for General Government 35 percent, Debt Service 22 percent, and Security of Persons and Property 20 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people whom the Village charges directly for the service, and grants received that the Village must use to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that must be paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2010	Net Cost of Services 2010	Total Cost Of Services 2009	Net Cost of Services 2009
General Government	180,641	152,248	215,298	170,298
Security of Persons and Property	105,077	38,255	149,605	41,980
Public Health Services	52	52	53	53
Leisure Time Activities	37,925	36,150	33,139	6,772
Community Environment	-	(300)	-	(260)
Basic Utilities	23,345	(13,403)	30,855	(7,063)
Transportation	25,005	(33,266)	34,015	(33,075)
Capital Outlay	28,758	28,758	199,894	199,894
Principal Retirement	102,113	102,113	112,472	112,472
Interest and Fiscal Charges	13,085	13,085	16,495	16,495
Other	25	25		
<b>Total Expenses</b>	<b>\$ 516,025</b>	<b>\$ 323,717</b>	<b>\$ 791,825</b>	<b>\$ 507,566</b>

The dependence upon property and income tax receipts is apparent, as 63 percent of governmental activities in 2010 were not supported through program receipts such as charges for services, operating grants, or capital grants.

Charges for services include contracts for fire services paid by Washington and Van Buren Townships, court fines, refuse collection, and license tax receipts.

Program receipts also included the following contributions and donations: \$7,000 EMA grant funds for an emergency generator for the Municipal Building, \$16,785 annuity donated to the New Knoxville Fire Department, \$8,392.70 annuity donated to the Village, and \$2,000 grant from the New Knoxville Historical Society toward the Centennial Celebration.

**Business-type Activities**

The Village's business type activities saw a total increase of 22.86 percent in net assets in 2010.

Total business type expenditures decreased 1.53 percent in 2010, and capital expenditures were once again limited as the Village continued conservative spending due to the economic climate. Capital purchases for the electric fund included \$55,000 bucket truck purchased from the Village of Minster and \$27,217 spent on the utility distribution system. Capital purchases for the water & sewer funds consisted of the purchase of a used truck for the public works department with \$862.50 charged to the water and to the sewer funds.

Efforts to reverse the deficit spending situation in the proprietary funds have been helpful. Total proprietary net assets increased approximately 23 percent. While these figures show improvement, services and purchases were reduced or restricted to reverse the downward trend. In addition, the Village is developing a 5-year forecast to better utilize tax payer funds while planning for future needs.

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
*Unaudited*

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On October 13, 2009, council approved a 25 percent water rate increase and a 3.5 percent sewer rate increase as recommended by the Ohio Rural Community Assistance Program in accordance with their analyses of these funds. These measures have also aided in stabilizing the enterprise funds.

**The Village's Funds**

Total governmental funds had receipts of \$646,872 and disbursements of \$516,025. The General Fund balance increased \$4,732 in 2010.

**General Fund Budgeting Highlights**

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

During 2010, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts exceeded original revenue budget because of conservative budgeting in anticipation of declining property and income taxes, and intergovernmental revenue, specifically local government fund. The difference between final budgeted receipts and actual receipts was \$0.

Final disbursements were budgeted at \$423,685, while actual disbursements were \$348,780 excluding transfers.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently report capital assets and infrastructure.

**Debt**

On December 31, 2010, the Village's outstanding debt totaled \$1,037,355. Included in this debt are unpaid street assessments of \$25,675; Revenue Bonds for \$260,000 for the water system; Water System Assessments for \$155,000; Issue II loan for the Village Water System for \$152,664; Issue II loans for street projects totaling \$169,295; Issue II loan for the Main Street Storm Sewer Project for \$17,884; and debt incurred for capital projects totaling \$256,837.

Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**Current Issues**

The desire of and challenge for New Knoxville Village, as for all governments is to continue to provide quality services to the public while staying within the restrictions imposed by limited revenue. As stewards of taxpayer money, the Village of New Knoxville is committed to maintaining fiscally responsible practices. The Village has continued conservative budgeting, while attempting to compensate for unsteady revenue sources including income tax and local government revenue (this due to declines in the state general fund).

Although the Village relies heavily on local taxes, declines in tax revenue including municipal income tax, once again resulted in a decrease in total tax revenue for governmental activities in 2010. Property tax revenue declined 5.69 percent (\$2,895) and municipal income tax revenue declined 8.6 percent (\$24,209). The Village realizes that Industrial Park development, as well as new residential construction could supply a needed boost in revenue sources; therefore, the Village continues to investigate possibilities for growth through numerous avenues, including subscribing to the Ohio Procure site and participation in the Auglaize County Economic Development Coalition.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Janet Hall, Fiscal Officer, Village of New Knoxville, P.O. Box 246, New Knoxville, Ohio 45871.

Village of New Knoxville  
 Auglaize County  
*Statement of Net Assets - Cash Basis*  
*For the Year Ended December 31, 2010*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 460,793	\$ 774,806	\$ 1,235,599
<i>Total Assets</i>	<u>\$ 460,793</u>	<u>\$ 774,806</u>	<u>\$ 1,235,599</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 92,005	\$ 0	\$ 92,005
Debt Services	3,708	11,662	15,370
Other Purposes	129,993	0	129,993
Unrestricted	<u>235,087</u>	<u>763,144</u>	<u>998,231</u>
<i>Total Net Assets</i>	<u>\$ 460,793</u>	<u>\$ 774,806</u>	<u>\$ 1,235,599</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
 Auglaize County  
 Statement of Activities - Cash Basis  
 For the Year Ended December 31, 2010

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 105,077	\$ 41,237	\$ 25,285	\$ 300	\$ (38,255)	\$ 0	\$ (38,255)
Public Health Services	52	0	0	0	(52)	0	(52)
Leisure Time Activities	37,925	1,775	0	0	(36,150)	0	(36,150)
Community Environment	0	300	0	0	300	0	300
Basic Utility Services	23,345	36,748	0	0	13,403	0	13,403
Transportation	25,004	6,970	41,187	10,113	33,266	0	33,266
General Government	180,641	0	10,393	18,000	(152,248)	0	(152,248)
Capital Outlay	28,758	0	0	0	(28,758)	0	(28,758)
Other Financing Uses	25	0	0	0	(25)	0	(25)
Debt Service:							
Principal	102,113	0	0	0	(102,113)	0	(102,113)
Interest	13,085	0	0	0	(13,085)	0	(13,085)
<b>Total Governmental Activities</b>	<b>\$ 516,025</b>	<b>\$ 87,030</b>	<b>\$ 76,865</b>	<b>\$ 28,413</b>	<b>\$ (323,717)</b>	<b>\$ 0</b>	<b>\$ (323,717)</b>
<b>Business Type Activities</b>							
Water Operating	\$ 97,739	\$ 145,006	\$ 0	\$ 0	\$ 0	\$ 47,267	\$ 22,808
Electric Operating	923,975	944,645	0	0	0	20,670	11,598
Electric Reserve	0	0	0	0	0	0	0
Sewer Reserve	0	0	0	0	0	0	0
Other Enterprise Funds:							
Sewer Operating	55,524	109,559	0	0	0	54,035	26,240
Water Bond	30,853	0	0	0	0	(30,853)	(31,640)
Special Assessments	19,228	0	0	20,513	0	1,285	1,032
Note Retirement Water	15,266	0	0	0	0	(15,266)	(15,266)
Enterprise Deposit	3,750	5,350	0	0	0	1,600	1,778
<b>Total Business Type Activities</b>	<b>1,146,335</b>	<b>1,204,560</b>	<b>0</b>	<b>20,513</b>	<b>0</b>	<b>78,738</b>	<b>16,550</b>
<b>Total Primary Government</b>	<b>\$ 1,662,360</b>	<b>\$ 1,291,590</b>	<b>\$ 76,865</b>	<b>\$ 48,926</b>	<b>\$ (323,717)</b>	<b>\$ 78,738</b>	<b>\$ (307,167)</b>
<b>General Receipts</b>							
Property Taxes					\$ 48,053	\$ 0	\$ 48,053
Municipal Income Taxes					257,389	0	257,389
Other Taxes					36,562	1,964	38,526
Grant and Entitlements not Restricted to Specific Programs					87,127	0	87,127
Other Financing Sources					2,438	0	2,438
Sale of Fixed Assets					400	0	400
Earnings on Investments					3,280	0	3,280
Miscellaneous					19,315	28,542	47,857
<b>Total General Receipts</b>					<b>454,564</b>	<b>30,506</b>	<b>485,070</b>
Transfers					(34,899)	34,899	0
<b>Total General Receipts and Transfers</b>					<b>419,665</b>	<b>65,405</b>	<b>485,070</b>
Change in Net Assets					95,948	144,143	240,091
Net Assets Beginning of Year					364,845	630,663	995,508
Net Assets End of Year					<b>\$ 460,793</b>	<b>\$ 774,806</b>	<b>\$ 1,235,599</b>

See accompanying notes to the basic financial statements



Village of New Knoxville  
 Auglaize County  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2010

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	<u>General</u>	<u>Street Construction, Maint., &amp; Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 235,087	\$ 80,107	\$ 145,599	\$ 460,793
<i>Total Assets</i>	<u>\$ 235,087</u>	<u>\$ 80,107</u>	<u>\$ 145,599</u>	<u>\$ 460,793</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 3,811	\$ 167	\$ 0	\$ 3,978
Unreserved, Undesignated, Reported in:				
General Fund	231,276	0	0	231,276
Special Revenue Funds	0	79,940	49,886	129,826
Debt Service Fund	0	0	3,708	3,708
Capital Projects Fund	0	0	92,005	92,005
<i>Total Fund Balances</i>	<u>\$ 235,087</u>	<u>\$ 80,107</u>	<u>\$ 145,599</u>	<u>\$ 460,793</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
Auglaize County  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
For the Year Ended December 31, 2010

	General	Street Construction Maint., & Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 63,560	\$ 0	\$ 28,025	\$ 91,585
Municipal Income Tax	257,389	0	0	257,389
Intergovernmental	90,871	38,064	26,178	155,113
Special Assessments	0	0	10,113	10,113
Charges for Services	69,559	0	7,721	77,280
Fines, Licenses and Permits	2,781	0	0	2,781
Earnings on Investments	2,715	451	114	3,280
Miscellaneous	35,750	203	10,540	46,493
<i>Total Receipts</i>	<u>\$ 522,625</u>	<u>\$ 38,718</u>	<u>\$ 82,691</u>	<u>\$ 644,034</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 84,018	\$ 0	\$ 21,059	\$ 105,077
Public Health Services	52	0	0	52
Leisure Time Activities	37,925	0	0	37,925
Basic Utility Services	23,345	0	0	23,345
Transportation	0	25,004	0	25,004
General Government	180,254	0	387	180,641
Capital Outlay	5,758	3,000	20,000	28,758
Debt Service:				
Principal Retirement	13,192	0	88,921	102,113
Interest and Fiscal Charges	425	0	12,660	13,085
<i>Total Disbursements</i>	<u>\$ 344,969</u>	<u>\$ 28,004</u>	<u>\$ 143,027</u>	<u>\$ 516,000</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	177,656	10,714	(60,336)	128,034
Other Financing Sources (Uses):				
Sale of Notes	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Fixed Assets	0	400	0	400
Transfers In	0	0	141,000	141,000
Transfers Out	(172,899)	0	(3,000)	(175,899)
Advances In	1,000	0	1,000	2,000
Advances Out	(1,000)	0	(1,000)	(2,000)
Other Financing Sources	0	0	2,438	2,438
Other Financing Uses	(25)	0	0	(25)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (172,924)</u>	<u>\$ 400</u>	<u>\$ 140,438</u>	<u>\$ (32,086)</u>
<i>Net Change in Fund Balances</i>	4,732	11,114	80,102	95,948
<i>Fund Balances Beginning of Year</i>	<u>230,355</u>	<u>68,993</u>	<u>65,497</u>	<u>364,845</u>
<i>Fund Balances End of Year</i>	<u><u>\$ 235,087</u></u>	<u><u>\$ 80,107</u></u>	<u><u>\$ 145,599</u></u>	<u><u>\$ 460,793</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
Auglaize County  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2010*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 25,990	\$ 61,228	\$ 63,560	\$ 2,332
Municipal Income Taxes	270,000	270,000	257,389	(12,611)
Intergovernmental	68,380	89,163	90,871	1,708
Charges and Services	81,000	81,000	69,559	(11,441)
Fines, Licenses and Permits	1,450	1,450	2,781	1,331
Earnings on Investment	2,500	2,500	2,715	215
Miscellaneous	3,600	17,284	35,750	18,466
<i>Total receipts</i>	<u>\$ 452,920</u>	<u>\$ 522,625</u>	<u>\$ 522,625</u>	<u>\$ 0</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 89,067	\$ 93,683	\$ 84,222	\$ 9,461
Public Health Services	65	65	52	13
Leisure Time Activities	40,652	47,552	38,117	9,435
Basic Utility Services	31,000	31,000	23,345	7,655
General Government	217,187	217,539	183,669	33,870
Capital Outlay	3,400	20,185	5,758	14,427
Debt Service:				
Principal Retirement	13,180	13,175	13,192	(17)
Interest and Fiscal Charges	481	486	425	61
<i>Total Disbursements</i>	<u>\$ 395,032</u>	<u>\$ 423,685</u>	<u>\$ 348,780</u>	<u>\$ 74,905</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>57,888</u>	<u>98,940</u>	<u>173,845</u>	<u>74,905</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	\$ (171,958)	\$ (172,899)	\$ (172,899)	\$ 0
Other Financing Sources	0	(25)	(25)	0
Advances In	0	0	1,000	(1,000)
AdvancesOut	0	0	(1,000)	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>(171,958)</u>	<u>(172,924)</u>	<u>(172,924)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(114,070)	(73,984)	921	74,905
<i>Fund Balance Beginning of Year</i>	227,922	227,922	227,922	(227,922)
<i>Prior Year Encumbrances Appropriated</i>	2,433	2,433	2,433	0
<i>Fund Balance End of Year</i>	<u>\$ 116,285</u>	<u>\$ 156,371</u>	<u>\$ 231,276</u>	<u>\$ (153,017)</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
 Auglaize County  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Street Construction, Maintenance and Repair Fund  
 For the Year Ended December 31, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Intergovernmental	\$ 37,900	\$ 37,900	\$ 38,064	\$ 164
Earnings on Investment	800	800	451	(349)
Miscellaneous	0	0	203	203
<i>Total receipts</i>	<u>\$ 38,700</u>	<u>\$ 38,700</u>	<u>\$ 38,718</u>	<u>\$ 18</u>
<b>Disbursements</b>				
Current:				
Transportation	\$ 33,758	\$ 30,757	\$ 25,171	\$ 5,586
Capital Outlay	0	3,001	3,000	1
<i>Total Disbursements</i>	<u>\$ 33,758</u>	<u>\$ 33,758</u>	<u>\$ 28,171</u>	<u>\$ 5,587</u>
Sale of Assets	0	0	400	400
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 400</u>	<u>\$ 400</u>
<i>Net Change in Fund Balance</i>	4,942	4,942	10,947	6,005
<i>Fund Balance Beginning of Year</i>	68,830	68,830	68,830	0
<i>Prior Year Encumbrances Appropriated</i>	<u>163</u>	<u>163</u>	<u>163</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 73,935</u></u>	<u><u>\$ 73,935</u></u>	<u><u>\$ 79,940</u></u>	<u><u>\$ 6,005</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
 Auglaize County  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
 For the Year Ended December 31, 2010

	<u>Water</u>	<u>Electric</u>	<u>Electric</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
	<u>Operating</u>	<u>Operating</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Enterprise</u>	<u>Enterprise</u>
					<u>Funds</u>	<u>Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 69,965	\$ 140,001	\$ 304,000	\$ 101,227	\$ 159,613	\$ 774,806
<i>Total Assets</i>	<u>\$ 69,965</u>	<u>\$ 140,001</u>	<u>\$ 304,000</u>	<u>\$ 101,227</u>	<u>\$ 159,613</u>	<u>\$ 774,806</u>
<b>Net Assets:</b>						
Restricted for:						
Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,662	\$ 11,662
Unrestricted	<u>69,965</u>	<u>140,001</u>	<u>304,000</u>	<u>101,227</u>	<u>147,951</u>	<u>763,144</u>
<i>Total Net Assets</i>	<u>\$ 69,965</u>	<u>\$ 140,001</u>	<u>\$ 304,000</u>	<u>\$ 101,227</u>	<u>\$ 159,613</u>	<u>\$ 774,806</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
Auglaize County  
*Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2010*

	<u>Water Operating</u>	<u>Electric Operating</u>	<u>Electric Reserve</u>	<u>Sewer Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Receipts						
Charges for Services	\$ 145,006	\$ 944,645	\$ 0	\$ 0	\$ 114,909	\$ 1,204,560
Other Operating Receipts	<u>0</u>	<u>22,586</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,586</u>
<i>Total Operating Receipts</i>	<u>\$ 145,006</u>	<u>\$ 967,231</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 114,909</u>	<u>\$ 1,227,146</u>
Operating Disbursements						
Personal Services	\$ 38,916	\$ 91,340	\$ 0	\$ 0	\$ 21,013	\$ 151,269
Employee Fringe Benefits	13,507	36,569	0	0	5,388	55,464
Contractual Services	25,497	697,106	0	0	22,175	744,778
Supplies and Materials	17,957	12,946	0	0	5,086	35,989
Other	<u>1,000</u>	<u>3,012</u>	<u>0</u>	<u>0</u>	<u>4,750</u>	<u>8,762</u>
<i>Total Operating Disbursements</i>	<u>\$ 96,877</u>	<u>\$ 840,973</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,412</u>	<u>\$ 996,262</u>
<i>Operating Income (Loss)</i>	<u>48,129</u>	<u>126,258</u>	<u>0</u>	<u>0</u>	<u>56,497</u>	<u>230,884</u>
Non-Operating Receipts (Disbursements)						
Property and Other Local Taxes	\$ 0	\$ 1,964	\$ 0	\$ 0	\$ 0	\$ 1,964
Special Assessments	0	0	0	0	20,513	20,513
Earnings on Investments	0	0	0	0	0	0
Miscellaneous Receipts	0	5,956	0	0	0	5,956
Capital Outlay	(862)	(83,002)	0	0	(863)	(84,727)
Sale of Fixed Assets	0	0	0	0	0	0
Debt Service:						
Principal Payments	0	0	0	0	(40,266)	(40,266)
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,080)</u>	<u>(25,080)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(862)</u>	<u>(75,082)</u>	<u>0</u>	<u>0</u>	<u>(45,696)</u>	<u>(121,640)</u>
<i>Income (Loss) before Transfers</i>	47,267	51,176	0	0	10,801	109,244
<i>Transfers In</i>	1,000	1,000	25,000	13,090	54,582	94,672
<i>Transfers Out</i>	<u>(21,683)</u>	<u>(25,000)</u>	<u>0</u>	<u>0</u>	<u>(13,090)</u>	<u>(59,773)</u>
<i>Change in Net Assets</i>	26,584	27,176	25,000	13,090	52,293	144,143
<i>Net Assets Beginning of Year</i>	<u>43,381</u>	<u>112,825</u>	<u>279,000</u>	<u>88,137</u>	<u>107,320</u>	<u>630,663</u>
<i>Net Assets End of Year</i>	<u>\$ 69,965</u>	<u>\$ 140,001</u>	<u>\$ 304,000</u>	<u>\$ 101,227</u>	<u>\$ 159,613</u>	<u>\$ 774,806</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2009*  
*Unaudited*

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This discussion and analysis of the Village of New Knoxville's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2009 are as follows:

Net assets of governmental activities increased \$18,274, or 5.27 percent. Business type activities saw an increase in net assets of \$49,248 or 8.47 percent.

Municipal Income Tax represents 50.9 percent of the Village's general receipts for 2009. Property Taxes, Excise Tax, and Grants and Entitlements make up 9.2, 6.3 and 21.76 percent respectively of the total general receipts for governmental activities during the year. Income tax receipts for 2009 decreased 5.36 percent or \$15,957 from 2008. Receipts from Grants and Entitlements saw an increase of \$31,745 or 35.8 percent overall, however Local Government revenue actually decreased by \$10,944 or 13.9% while inheritance tax receipts of \$42,040 helped make up the shortfall.

Capital expenditures included:

- Purchase of a 15,000 Watt backup Generator with Briggs & Stratton natural Gas Engine for \$7,450 to provide power for the municipal building in the event of a power outage. \$7,000 of the cost for the generator was funded through an Auglaize County EMA Homeland Security grant. Generator was installed and payment remitted in 2009, while grant funds were not released until January of 2010.
- \$50,232 for construction of a new gazebo built on existing foundation. The New Knoxville Community Park Board Association donated \$24,467 toward the Gazebo Project, meaning the Village cost of the project net \$27,286 which includes engineering costs of \$1,521.
- \$3,257 for a new leaf box.
- Main Street Storm Sewer Project totaling \$101,310.
- \$32,589 Issue I construction project for paving portions of Bremen and Walnut Streets. Total Village portion of the project was \$14,589.38, while state stimulus dollars funded \$18,000 of the project, which the Village has not yet received, and will account for in 2010.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Village of New Knoxville  
Management's Discussion and Analysis  
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Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. All other non-major funds are presented in total in a single column.

The notes to the financial statements are an integral part of the Village-wide and fund financial statements, provide expanded explanation, and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Because of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable), and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

### **Reporting the Village as a Whole**

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.



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In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental Activities. Most of the Village's basic services are reported here, including police, fire, streets, and parks. State and federal grants, and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activity. The Village has three business-type activities, the provision of water, of sewer, and of electric. A fee charged to the customers receiving the service finances business-type activities.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds in order to manage its many activities, and to help demonstrate that money that is restricted as to how it may be used, is being spent for the intended purpose. Village funds are split into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds, the water fund, the sewer fund, and the electric fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government's programs. The Village has one fiduciary fund, the Mayors Court fund. At December 31, 2009, the balance is \$0.

Village of New Knoxville  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)  
**Net Assets**

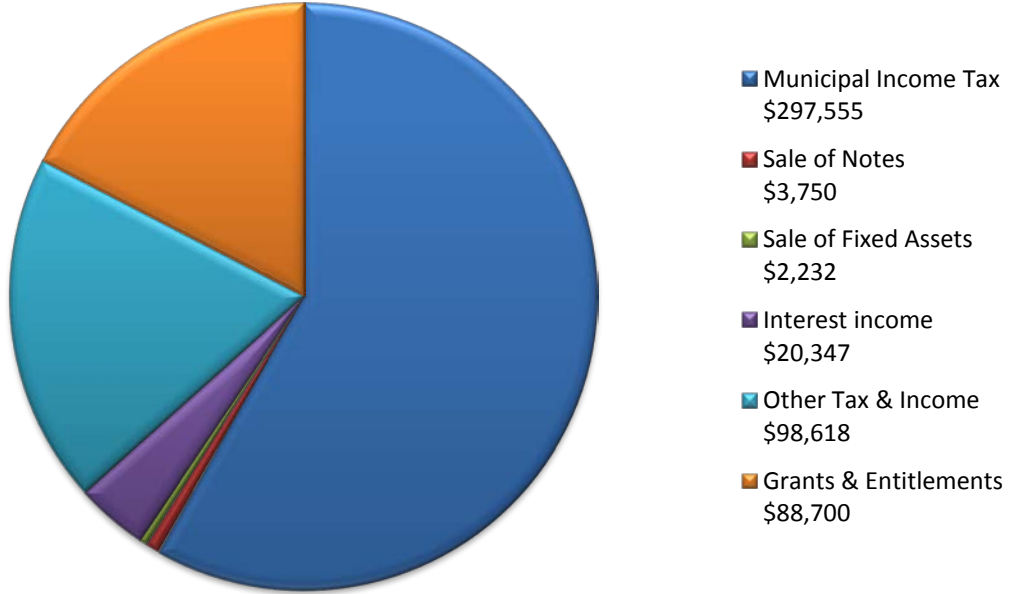
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Equity in Pooled Assets	364,845	346,598	630,663	581,415	995,508	928,013
Total Assets	364,845	346,598	630,663	581,415	995,508	928,013
<b>Net Assets</b>						
Restricted for:						
Capital Projects	26,006	2,005	-	-	26,006	2,005
Debt Services	11,381	8,499	9,331	9,177	20,712	17,676
Other Purposes	97,104	112,372	-	-	97,104	112,372
Unrestricted	230,355	223,722	621,332	572,238	851,686	795,960
Total Net Assets	364,845	346,598	630,663	581,415	995,508	928,013

As mentioned previously, net assets of governmental activities increased \$18,247 or 5.27 percent during 2009. Considerations are as follows:

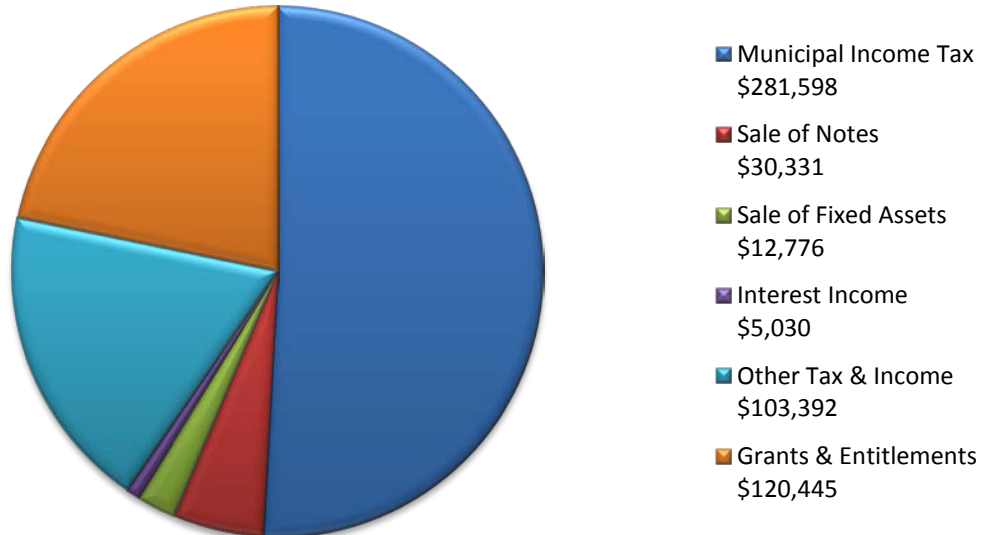
- General Receipts, those not associated with a specific village “program”, for governmental activities saw an increase of \$42,371 or 8.29 percent over all in 2009.
  - Municipal income tax receipts declined \$15,957 or 5.36 percent;
  - Village secured an Ohio Public Works Commission loan of \$18,825 to complete the Main Street Storm Sewer Project, and refinanced the Botkins/Angle Street assessment loan for \$11,506, totaling \$30,331.
  - Village received \$10,000 for sale of two properties in the Westphalia sub-division. Total sale of assets in 2009 was \$12,776.
  - Earnings on investments declined another \$5,030 or 75.28 percent, making total decline in interest revenue \$29,760 or 85.54 percent since 2007.

Village of New Knoxville  
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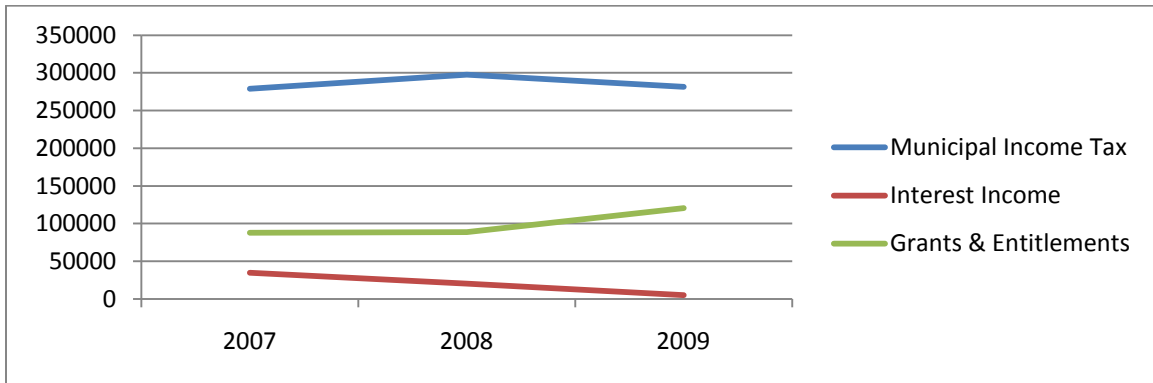
### General Receipts - 2008



### General Receipts - 2009

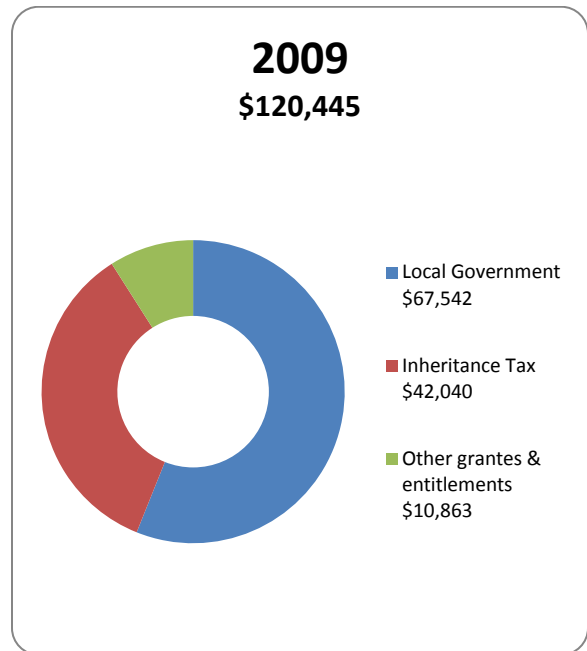
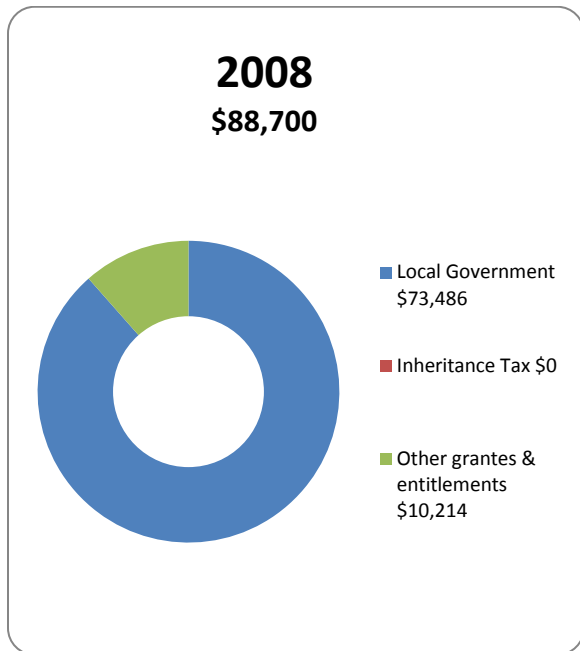


Village of New Knoxville  
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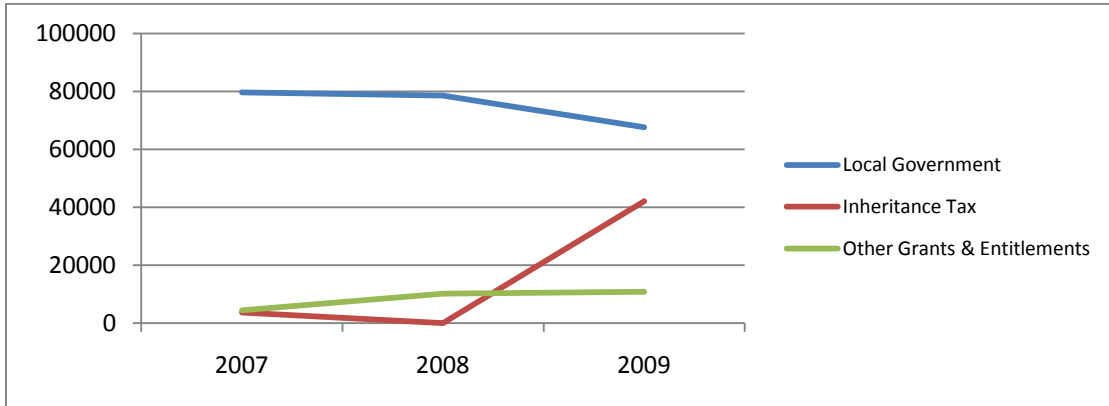


**GRANTS & ENTITLEMENTS**

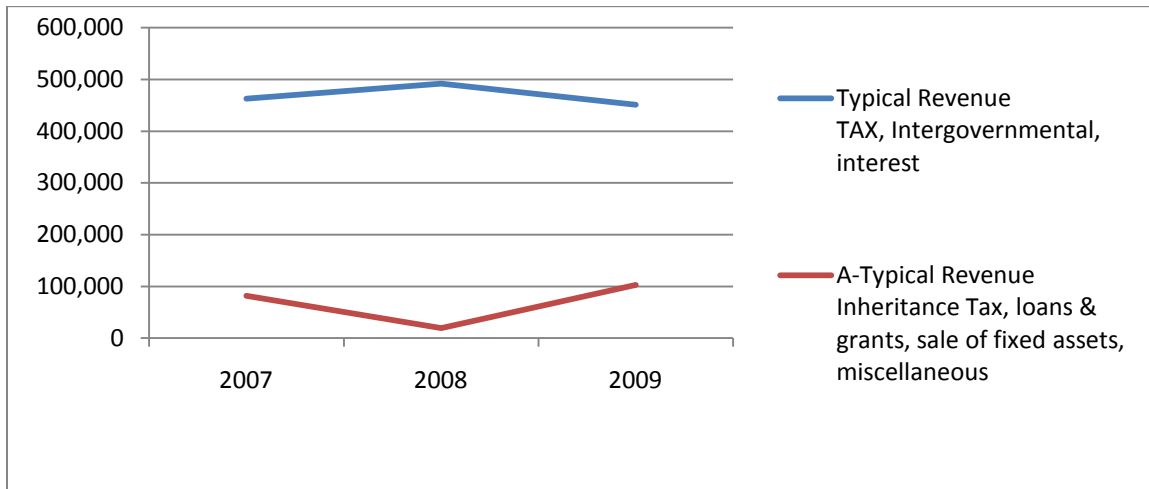
Total receipts in **Grants & Entitlements** increased \$31,745 (26.36 percent) from 2008 due to the Village's receipt of \$42,040 in inheritance tax money. However, Local Government Revenue declined 16.2 percent, or \$10,944 (please see chart below).



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Many sources of dependable, general receipts for the Village declined over the past two years, including municipal income tax, local government revenue, and earnings on investments as you can see in the chart below. While non-typical sources of revenue including sale of fixed assets, inheritance tax, and proceeds of debt increased in 2009, these sources are inconsistent sources of revenue, therefore not reliable for planning operational needs of the Village.



- In 2009, the Village was no longer eligible for participation in the Bureau of Workers Compensation's Premium Discount Program. Therefore, total premiums were \$42,521, a net increase of \$18,390 or 43.25 percent. The Village did participate in the Grand Lake Area Safety Council in 2009, for which the BWC refunded a total of \$1,701
- Disbursements for governmental activities increased 39.22 percent.
  - Disbursements under Security for Persons and Property, which includes the Fire and Police Departments, increased 34.19 percent.
  - - In 2009, police department personnel were reduced from three employees to two. As a result, total department expenditures were reduced by 15.6 percent or \$7,621. The Police Department saw a 9 percent decrease in expenses for personal services (\$3,205), and a 31 percent decrease (\$4,174) for services, supplies, and materials.
    - Expenditures for fire services saw an increase of 6.9 percent, or \$3,662 over 2008.
    - The Village received and expended \$43,468 in a FEMA Fitness grant.

Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2009*  
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- The Village spent \$199,894 on capital expenditures in 2009, which included purchase of equipment under the FEMA Fitness grant, purchase of backup generator for the municipal building, construction of gazebo at the Village Park, Main Street Storm Sewer Project, and repaving portions of West Bremen and Walnut Streets.
- Village council approved 7 percent salary increases for the administrator and fiscal officer, and 3 percent increases for other full and part-time employees, excluding firefighters.

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for governmental activities, business-type activities, and total primary government.

Village of New Knoxville  
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(Table 2)  
Changes in Net Assets

	Governmental		Business Type		Total	
	2009	2008	2009	2008	2009	2008
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$109,168	\$88,177	\$1,159,907	\$1,135,218	\$1,269,076	\$1,223,395
Operating Grants and Contributions	50,188	43,089	0	0	\$50,188	\$43,089
Capital Grants and Contributions	124,904	19,068	20,779	20,845	\$145,683	\$39,913
<b>Total Program Receipts</b>	<b>284,260</b>	<b>150,334</b>	<b>1,180,686</b>	<b>1,156,064</b>	<b>1,464,946</b>	<b>1,306,397</b>
General Receipts:						
Property Taxes Levied for General Purposes	50,948	49,863			50,948	49,863
Other Local Taxes (KwH Excise Tax)	34,915	36,048	2,067	2,201	36,982	38,249
Income Taxes	281,598	297,555			281,598	297,555
Grants and Entitlements Not Restricted to Specific Programs	120,445	88,700			120,445	88,700
Debt	30,331	3,750			30,331	3,750
Sale of Fixed Assets	12,776	2,232		3,111	12,776	5,343
Other Financing Sources	3,456	0			3,456	0
Interest	5,029	20,346		684	5,029	21,030
Miscellaneous	14,073	18,961	2,873	26,118	16,946	45,079
<b>Total General Receipts</b>	<b>553,571</b>	<b>517,455</b>	<b>4,940</b>	<b>32,114</b>	<b>558,511</b>	<b>549,569</b>
<b>Total Receipts</b>	<b>837,831</b>	<b>667,789</b>	<b>1,185,626</b>	<b>1,188,177</b>	<b>2,023,457</b>	<b>1,855,966</b>
Disbursements:						
General Government	215,298	211,069			215,298	211,069
Security of Persons and Property:	149,605	113,040			149,605	113,040
Public Health Services	53	54			53	54
Leisure Time Activities	33,139	34,059			33,139	34,059
Basic Utilities	30,855	27,840			30,855	27,840
Transportation	34,015	24,774			34,015	24,774
Capital Outlay	199,894	51,216			199,894	51,216
Principal Retirement	112,472	87,637			112,472	87,637
Interest and Fiscal Charges	16,495	19,083			16,495	19,083
Water Operating			97,709	102,593	97,709	102,593
Sewer Operating			81,840	68,621	81,840	68,621
Electric Operating			911,962	961,854	911,962	961,854
Water Bond			31,640	32,413	31,640	32,413
SPECIAL ASSESSMENT - water			19,747	20,262	19,747	20,262
Note Retirement Issue II - water			15,266	15,266	15,266	15,266
Enterprise Debt Service Reserve			0	0	0	0
Enterprise Deposit Fund			5,972	5,850	5,972	5,850
<b>Total Disbursements</b>	<b>791,826</b>	<b>568,772</b>	<b>1,164,136</b>	<b>1,206,859</b>	<b>1,955,961</b>	<b>1,775,630</b>
Excess (Deficiency) Before Transfers	46,005	99,017	21,490	(18,681)	67,495	80,336
Transfers	(27,758)	(30,370)	27,758	30,370	0	0
<b>Increase (Decrease) in Net Assets</b>	<b>18,247</b>	<b>68,647</b>	<b>49,248</b>	<b>11,689</b>	<b>67,495</b>	<b>80,336</b>
<i>Net Assets Beginning of Year</i>	<i>346,598</i>	<i>277,951</i>	<i>581,415</i>	<i>569,726</i>	<i>928,013</i>	<i>847,678</i>
<b><i>Net Assets End of Year</i></b>	<b><i>\$364,845</i></b>	<b><i>\$346,598</i></b>	<b><i>\$630,663</i></b>	<b><i>\$581,415</i></b>	<b><i>\$995,508</i></b>	<b><i>\$928,013</i></b>

Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2009*  
*Unaudited*

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Program receipts represent only 33.93 percent of total receipts for governmental activities with the primary sources of revenue generally including restricted intergovernmental receipts such as motor vehicle license and gas tax money, revenue from refuse sales, and charges to Washington Township for fire and rescue services provided under contract. Program receipts for the Village's Business Type Activities represent 99.6 percent of total revenue.

General receipts represent 66.07 percent of the Village's total receipts for governmental activities. Municipal income tax makes up more than 50 percent of the general receipts while other local (excise) taxes and state and federal grants and entitlements make up 6.25 percent, 21.57 percent, respectively. Interest and other receipts are somewhat insignificant and rather unpredictable sources of revenue.

Program receipts represent 99.5 percent of receipts for business type activities. General receipts represent .5 percent of receipts for business type activities.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of administration, council, legal services, fiscal officer, and the municipal building, as well as internal services such as payroll and purchasing. These costs do not correspond to direct services to residents and in 2009, 36 percent of unrestricted General Fund receipts were required to cover these cost of running the Village.

Security of Persons and Property reflects the costs of providing police and fire protection; Leisure Time Activities are the costs of maintaining the parks and playing fields; Basic Utility Service is paid by the village for refuse collection; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2009 were for General Government 27 percent, Capital Outlay 25 percent, Security of Persons and Property 19 percent, and Debt Service 16 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people whom the Village charges directly for the service, and grants received that the Village must use to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that must be paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement.

A comparison between the total cost of services and the net cost is presented in Table 3.



Village of New Knoxville  
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(Table 3)

**Governmental Activities**

	Total Cost Of Services 2009	Net Cost of Services 2009	Total Cost Of Services 2008	Net Cost of Services 2008
General Government	215,298	170,298	\$ 211,069	\$ 211,069
Security of Persons and Property	149,605	41,980	113,040	63,301
Public Health Services	53	53	54	54
Leisure Time Activities	33,139	6,772	34,059	30,884
Community Environment	-	(260)	0	(180)
Basic Utilities	30,855	(7,063)	27,840	(10,014)
Transportation	34,015	(33,075)	24,774	(34,612)
Capital Outlay	199,894	199,894	51,216	51,216
Principal Retirement	112,472	112,472	87,637	88,088
Interest and Fiscal Charges	16,495	16,495	19,083	18,632
Other				
<b>Total Expenses</b>	<b>\$ 791,826</b>	<b>\$ 507,566</b>	<b>\$ 568,772</b>	<b>\$ 418,438</b>

The dependence upon property and income tax receipts is apparent, as 64 percent of governmental activities in 2009 were not supported through program receipts such as charges for services, operating grants, or capital grants.

Program receipts included the following: \$7,000 EMA grant funds for an emergency generator for the Municipal Building, a \$45,000 grant from Ohio Public Works for the Main Street Storm Sewer Project, \$25,467 grant from the New Knoxville Park Board toward the construction of a new gazebo at the New Knoxville Community Park, and \$11,525 in sidewalk assessments. In addition, the Fire Department received funds of \$40,978 to complete the FEMA Fitness Grant and \$2,934 in grants from local businesses and organizations for purchase of fire hose.

**Business-type Activities**

The Village's business type activities saw an increase of 8.47 percent in net assets in 2009. Total business type expenditures decreased 2.4 percent in 2009, and capital expenditures were once again limited as the Village continued conservative spending due to the economic climate. Purchase of Electronic Read Transmitters to complete the project and the purchase of a 2008 Polaris ATV were the only significant capital purchases.

Efforts to reverse the deficit spending situation in the proprietary funds have been helpful. In 2009, combined net assets for Electric Operating and Electric Fund Reserve increased \$15,537.62; net assets of the combined water fund and water reserve fund increased \$6,542; and net assets for the combined sewer fund and sewer reserve fund increased \$25,241. While these figures show improvement, services and purchases were reduced or restricted. On October 13, 2009, council approved a 25 percent water rate increase and a 3.5 percent sewer rate increase as recommended by the Ohio Rural Community Assistance Program in accordance with their analyses of these funds.

Village of New Knoxville  
Management's Discussion and Analysis  
*For the Year Ended December 31, 2009*  
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**The Village's Funds**

Total governmental funds had receipts of \$837,832 and disbursements of \$791,826. The General Fund balance increased \$6,633 in 2009.

**General Fund Budgeting Highlights**

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

During 2009, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts exceeded original revenue budget because of conservative budgeting in anticipation of declining property and income taxes, and intergovernmental revenue, specifically local government fund. The difference between final budgeted receipts and actual receipts was \$114,467 due to conservative budgeting and to larger than expected municipal income tax revenue.

Final disbursements were budgeted at \$494,695, while actual disbursements were \$442,794 excluding transfers.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently report capital assets and infrastructure.

**Debt**

On December 31, 2009, the Village's outstanding debt totaled \$1,179,734. Included in this debt are unpaid street assessments of \$34,136; Revenue Bonds for \$275,000 for the water system; Water System Assessments for \$165,000; Issue II loan for the Village Water System for \$167,930; Issue II loans for street projects totaling \$180,354; Issue II loan for the Main Street Storm Sewer Project for \$18,825; and debt incurred for capital projects totaling \$338,489.

**Current Issues**

The desire of and challenge for New Knoxville Village, as for all governments is to continue to provide quality services to the public while staying within the restrictions imposed by limited revenue. As stewards of taxpayer money, the Village of New Knoxville is committed to maintaining fiscally responsible practices. The Village has continued conservative budgeting, while attempting to compensate for unsteady revenue sources including income tax and local government revenue (this due to declines in the state general fund).

Although the Village relies heavily on local taxes, declines in tax revenue including municipal income tax, resulted in a 4.18 percent decrease in total tax revenue for governmental activities in 2009. The Village realizes that Industrial Park development, as well as new residential construction could supply a needed boost in revenue sources; therefore, the Village continues to investigate possibilities for growth through numerous avenues, including subscribing to the Ohio Procure site and participation in the Auglaize County Economic Development Coalition.

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Management's Discussion and Analysis  
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**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Janet Hall, Fiscal Officer, Village of New Knoxville, P.O. Box 246, New Knoxville, Ohio 45871.

Village of New Knoxville  
 Auglaize County  
*Statement of Net Assets - Cash Basis*  
*For the Year Ended December 31, 2009*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 364,845	\$ 630,663	\$ 995,508
<i>Total Assets</i>	<u>\$ 364,845</u>	<u>\$ 630,663</u>	<u>\$ 995,508</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 26,005	\$ 0	\$ 26,005
Debt Services	11,381	9,331	20,712
Other Purposes	97,104	0	97,104
Unrestricted	<u>230,355</u>	<u>621,332</u>	<u>851,687</u>
<i>Total Net Assets</i>	<u>\$ 364,845</u>	<u>\$ 630,663</u>	<u>\$ 995,508</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
 Auglaize County  
 Statement of Activities - Cash Basis  
 For the Year Ended December 31, 2009

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 149,605	\$ 62,213	\$ 1,500	\$ 43,912	\$ (41,980)	\$ 0	\$ (41,980)
Public Health Services	53	0	0	0	(53)	0	(53)
Leisure Time Activities	33,139	1,900	0	24,467	(6,772)	0	(6,772)
Community Environment	0	260	0	0	260	0	260
Basic Utility Services	30,855	37,918	0	0	7,063	0	7,063
Transportation	34,015	6,877	48,688	11,525	33,075	0	33,075
General Government	215,298	0	0	45,000	(170,298)	0	(170,298)
Capital Outlay	199,894	0	0	0	(199,894)	0	(199,894)
Debt Service:							
Principal	112,472	0	0	0	(112,472)	0	(112,472)
Interest	16,495	0	0	0	(16,495)	0	(16,495)
<b>Total Governmental Activities</b>	<b>\$ 791,826</b>	<b>\$ 109,168</b>	<b>\$ 50,188</b>	<b>\$ 124,904</b>	<b>\$ (507,566)</b>	<b>\$ 0</b>	<b>\$ (507,566)</b>
<b>Business Type Activities</b>							
Water Operating	\$ 97,709	\$ 120,517	\$ 0	\$ 0	\$ 0	\$ 22,808	\$ 22,808
Electric Operating	911,962	923,560	0	0	0	11,598	11,598
Electric Reserve	0	0	0	0	0	0	0
Sewer Reserve	0	0	0	0	0	0	0
Other Enterprise Funds:							
Sewer Operating	81,840	108,080	0	0	0	26,240	26,240
Water Bond	31,640	0	0	0	0	(31,640)	(31,640)
Special Assessments	19,747	0	0	20,779	0	1,032	1,032
Note Retirement Water	15,266	0	0	0	0	(15,266)	(15,266)
Enterprise Deposit	5,972	7,750	0	0	0	1,778	1,778
<b>Total Business Type Activities</b>	<b>1,164,136</b>	<b>1,159,907</b>	<b>0</b>	<b>20,779</b>	<b>0</b>	<b>16,550</b>	<b>16,550</b>
<b>Total Primary Government</b>	<b>\$ 1,955,962</b>	<b>\$ 1,269,075</b>	<b>\$ 50,188</b>	<b>\$ 145,683</b>	<b>\$ (507,566)</b>	<b>\$ 16,550</b>	<b>\$ (491,016)</b>
<b>General Receipts</b>							
Property Taxes					\$ 50,948	\$ 0	\$ 50,948
Municipal Income Taxes					281,598	0	281,598
Other Taxes					34,915	2,067	36,982
Grant and Entitlements not Restricted to Specific Programs					120,445	0	120,445
Sale of Notes					30,331	0	30,331
Sale of Fixed Assets					12,776	0	12,776
Earnings on Investments					5,029	0	5,029
Other Financing Sources					3,456	0	3,456
Miscellaneous					14,073	2,873	16,946
<b>Total General Receipts</b>					<b>553,571</b>	<b>4,940</b>	<b>558,511</b>
Transfers					(27,758)	27,758	0
<b>Total General Receipts and Transfers</b>					<b>525,813</b>	<b>32,698</b>	<b>558,511</b>
Change in Net Assets					18,247	49,248	67,495
Net Assets Beginning of Year					346,598	581,415	928,013
Net Assets End of Year					<b>\$ 364,845</b>	<b>\$ 630,663</b>	<b>\$ 995,508</b>

See accompanying notes to the basic financial statements

Village of New Knoxville  
 Auglaize County  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2009

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	<u>General</u>	<u>Street Construction, Maint., &amp; Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 230,355	\$ 68,993	\$ 65,497	\$ 364,845
<i>Total Assets</i>	<u>\$ 230,355</u>	<u>\$ 68,993</u>	<u>\$ 65,497</u>	<u>\$ 364,845</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 2,433	\$ 163	\$ 18,000	\$ 20,596
Unreserved, Undesignated, Reported in:				
General Fund	227,922	0	0	227,922
Special Revenue Funds	0	68,830	28,110	96,940
Debt Service Fund	0	0	11,381	11,381
Capital Projects Fund	<u>0</u>	<u>0</u>	<u>8,006</u>	<u>8,006</u>
<i>Total Fund Balances</i>	<u>\$ 230,355</u>	<u>\$ 68,993</u>	<u>\$ 65,497</u>	<u>\$ 364,845</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
 Auglaize County  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2009

	General	Street Construction Maint., & Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 64,454	\$ 0	\$ 28,286	\$ 92,740
Municipal Income Tax	281,598	0	0	281,598
Intergovernmental	122,179	38,099	98,067	258,345
Special Assessments	0	0	11,525	11,525
Charges for Services	92,697	0	7,264	99,961
Fines, Licenses and Permits	2,330	0	0	2,330
Earnings on Investments	3,802	790	437	5,029
Miscellaneous	31,615	0	8,125	39,740
<i>Total Receipts</i>	<u>\$ 598,675</u>	<u>\$ 38,889</u>	<u>\$ 153,704</u>	<u>\$ 791,268</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 80,257	\$ 0	\$ 69,348	\$ 149,605
Public Health Services	53	0	0	53
Leisure Time Activities	33,139	0	0	33,139
Basic Utility Services	30,855	0	0	30,855
Transportation	0	24,015	10,000	34,015
General Government	214,867	0	431	215,298
Capital Outlay	67,529	9,251	123,114	199,894
Debt Service:				
Principal Retirement	12,716	0	99,756	112,472
Interest and Fiscal Charges	945	0	15,550	16,495
<i>Total Disbursements</i>	<u>\$ 440,361</u>	<u>\$ 33,266</u>	<u>\$ 318,199</u>	<u>\$ 791,826</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	158,314	5,623	(164,495)	(558)
Other Financing Sources (Uses):				
Sale of Notes	\$ 0	\$ 0	\$ 30,331	\$ 30,331
Sale of Fixed Assets	0	2,776	10,000	12,776
Other Financing Sources	0	0	3,456	3,456
Transfers In	0	0	123,923	123,923
Transfers Out	(151,681)	0	0	(151,681)
Advances In	6,000	0	6,000	12,000
Advances Out	(6,000)	0	(6,000)	(12,000)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (151,681)</u>	<u>\$ 2,776</u>	<u>\$ 167,710</u>	<u>\$ 18,805</u>
<i>Net Change in Fund Balances</i>	6,633	8,399	3,215	18,247
<i>Fund Balances Beginning of Year</i>	<u>223,722</u>	<u>60,594</u>	<u>62,282</u>	<u>346,598</u>
<i>Fund Balances End of Year</i>	<u>\$ 230,355</u>	<u>\$ 68,993</u>	<u>\$ 65,497</u>	<u>\$ 364,845</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
Auglaize County  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 71,399	\$ 65,342	\$ 64,454	\$ (888)
Municipal Income Taxes	245,055	245,055	281,598	36,543
Intergovernmental	59,320	74,111	122,179	48,068
Charges and Services	69,000	69,000	92,697	23,697
Fines, Licenses and Permits	2,100	2,100	2,330	230
Earnings on Investment	5,000	5,000	3,802	(1,198)
Miscellaneous	23,600	23,600	31,615	8,015
<i>Total receipts</i>	<u>\$ 475,474</u>	<u>\$ 484,208</u>	<u>\$ 598,675</u>	<u>\$ 114,467</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 95,721	\$ 97,791	\$ 81,093	\$ 16,698
Public Health Services	65	65	53	12
Leisure Time Activities	32,920	36,920	33,180	3,740
Basic Utility Services	29,400	30,855	30,855	0
General Government	246,507	245,489	216,423	29,066
Capital Outlay	60,730	69,914	67,529	2,385
Debt Service:				
Principal Retirement	12,716	12,690	12,690	0
Interest and Fiscal Charges	945	971	971	0
<i>Total Disbursements</i>	<u>\$ 479,004</u>	<u>\$ 494,695</u>	<u>\$ 442,794</u>	<u>\$ 51,901</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,530)</u>	<u>(10,487)</u>	<u>155,881</u>	<u>166,368</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	\$ (175,739)	\$ (175,739)	\$ (151,681)	\$ (24,058)
Advances In	0	0	6,000	(6,000)
Advances Out	0	0	(6,000)	6,000
Other Financing Uses	0	(43)	0	(43)
<i>Total Other Financing Sources (Uses)</i>	<u>(175,739)</u>	<u>(175,782)</u>	<u>(151,681)</u>	<u>(24,101)</u>
<i>Net Change in Fund Balance</i>	(179,269)	(186,269)	4,200	142,267
<i>Fund Balance Beginning of Year</i>	221,028	221,028	221,028	(221,028)
<i>Prior Year Encumbrances Appropriated</i>	<u>2,694</u>	<u>2,694</u>	<u>2,694</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 44,453</u>	<u>\$ 37,453</u>	<u>\$ 227,922</u>	<u>\$ (78,761)</u>

See accompanying notes to the basic financial statements



Village of New Knoxville  
 Auglaize County  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Street Construction, Maint., & Repair Fund  
 For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental	\$ 35,500	\$ 35,500	\$ 38,099	\$ 2,599
Special Assessments	57,630	57,630	0	(57,630)
Earnings on Investments	1,000	1,000	790	(210)
<i>Total receipts</i>	<u>\$ 94,130</u>	<u>\$ 94,130</u>	<u>\$ 38,889</u>	<u>\$ (55,241)</u>
<b>Disbursements</b>				
Current:				
Transportation	\$ 33,490	\$ 35,490	\$ 24,178	\$ 11,312
Capital Outlay	57,630	57,630	9,251	48,379
<i>Total Disbursements</i>	<u>\$ 91,120</u>	<u>\$ 93,120</u>	<u>\$ 33,429</u>	<u>\$ 59,691</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	3,010	1,010	5,460	4,450
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	\$ 0	\$ 0	\$ 2,776	\$ 2,776
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>2,776</u>	<u>2,776</u>
<i>Net Change in Fund Balance</i>	3,010	1,010	8,236	7,226
<i>Fund Balance Beginning of Year</i>	60,377	60,377	60,377	0
<i>Prior Year Encumbrances Appropriated</i>	<u>217</u>	<u>217</u>	<u>217</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 63,604</u></u>	<u><u>\$ 61,604</u></u>	<u><u>\$ 68,830</u></u>	<u><u>\$ 7,226</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
 Auglaize County  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
 For the Year Ended December 31, 2009

	<u>Water Operating</u>	<u>Electric Operating</u>	<u>Electric Reserve</u>	<u>Sewer Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 43,381	\$ 112,825	\$ 279,000	\$ 88,137	\$ 107,320	\$ 630,663
<i>Total Assets</i>	<u>\$ 43,381</u>	<u>\$ 112,825</u>	<u>\$ 279,000</u>	<u>\$ 88,137</u>	<u>\$ 107,320</u>	<u>\$ 630,663</u>
<b>Net Assets:</b>						
Restricted for:						
Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,331	\$ 9,331
Unrestricted	<u>43,381</u>	<u>112,825</u>	<u>279,000</u>	<u>88,137</u>	<u>97,989</u>	<u>621,332</u>
<i>Total Net Assets</i>	<u>\$ 43,381</u>	<u>\$ 112,825</u>	<u>\$ 279,000</u>	<u>\$ 88,137</u>	<u>\$ 107,320</u>	<u>\$ 630,663</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
Auglaize County  
*Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	<u>Water Operating</u>	<u>Electric Operating</u>	<u>Electric Reserve</u>	<u>Sewer Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Operating Receipts</b>						
Charges for Services	\$ 120,517	\$ 923,560	\$ 0	\$ 0	\$ 115,830	\$ 1,159,907
Other Operating Receipts	<u>0</u>	<u>2,849</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,849</u>
<i>Total Operating Receipts</i>	<u>\$ 120,517</u>	<u>\$ 926,409</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 115,830</u>	<u>\$ 1,162,756</u>
<b>Operating Disbursements</b>						
Personal Services	\$ 36,123	\$ 123,639	\$ 0	\$ 0	\$ 27,151	\$ 186,913
Employee Fringe Benefits	15,107	47,954	0	0	7,544	70,605
Contractual Services	24,430	698,033	0	0	21,039	743,502
Supplies and Materials	20,050	11,227	0	0	2,632	33,909
Other	<u>0</u>	<u>2,069</u>	<u>0</u>	<u>0</u>	<u>5,972</u>	<u>8,041</u>
<i>Total Operating Disbursements</i>	<u>\$ 95,710</u>	<u>\$ 882,922</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,338</u>	<u>\$ 1,042,970</u>
<i>Operating Income (Loss)</i>	<u>24,807</u>	<u>43,487</u>	<u>0</u>	<u>0</u>	<u>51,492</u>	<u>119,786</u>
<b>Non-Operating Receipts (Disbursements)</b>						
Property and Other Local Taxes	\$ 0	\$ 2,067	\$ 0	\$ 0	\$ 0	\$ 2,067
Special Assessments	0	0	0	0	20,779	20,779
Earnings on Investments	0	0	0	0	0	0
Miscellaneous Receipts	0	24	0	0	0	24
Capital Outlay	(1,999)	(29,040)	0	0	(23,473)	(54,512)
Debt Service:						
Principal Payments	0	0	0	0	(40,266)	(40,266)
Interest and Fiscal Charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,388)</u>	<u>(26,388)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,999)</u>	<u>(26,949)</u>	<u>0</u>	<u>0</u>	<u>(69,348)</u>	<u>(98,296)</u>
<i>Income (Loss) before Transfers</i>	22,808	16,538	0	0	(17,856)	21,490
<i>Transfers In</i>	0	0	29,000	88,137	60,131	177,268
<i>Transfers Out</i>	<u>(30,368)</u>	<u>(30,000)</u>	<u>0</u>	<u>0</u>	<u>(89,142)</u>	<u>(149,510)</u>
<i>Change in Net Assets</i>	(7,560)	(13,462)	29,000	88,137	(46,867)	49,248
<i>Net Assets Beginning of Year</i>	<u>50,941</u>	<u>126,287</u>	<u>250,000</u>	<u>0</u>	<u>154,187</u>	<u>581,415</u>
<i>Net Assets End of Year</i>	<u>\$ 43,381</u>	<u>\$ 112,825</u>	<u>\$ 279,000</u>	<u>\$ 88,137</u>	<u>\$ 107,320</u>	<u>\$ 630,663</u>

See accompanying notes to the basic financial statements

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 1 – Reporting Entity**

The Village of New Knoxville, Auglaize County, Ohio (the Village), is a political and corporate body established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A six-member Council, elected at large for four-year terms, directs the Village. Council annually elects one member to serve as President of Council. The Mayor is elected to a four-year term and votes only to break a tie. The Village provides general governmental services including water, sewer, and electric utilities; street construction, maintenance and repair; refuse services; park operations; and fire and police services.

The Village is comprised of the primary government, component units, and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, and electric utilities, maintenance of Village roads and bridges, park operations, and part-time police services. The Village levies a tax and appropriates general fund money to support a volunteer fire department and first responders.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated to or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village, and are significant in amount to the Village.

The New Knoxville Community Improvement Corporation (CIC) is reported separately to emphasize that it is legally separate from the Village. Note 15 to the financial statements will provide additional information for this entity.

New Knoxville Community Improvement Corporation (CIC) was created as a not for profit corporation under Sections 1724.01 et. Seq., under the Ohio Revised Code. The CIC is governed by a board of Trustees. The CIC provides services to the Village by providing opportunities for development to strengthen employment and economic development for the Village. Separately audited Financial Statements for the CIC are available from Janet Hall, Fiscal Officer, PO Box 246, New Knoxville, Ohio 47871 or calling 419-753-4501.

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 1 – Reporting Entity** (Continued)

**C. Jointly Governed Organizations and Public Entity Risk Pools**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in two jointly governed organizations, one public entity risk pool, and one member service area/pool. Notes 13 and 14 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Auglaize County Emergency Management Cooperative  
Auglaize County Revolving Loan Fund Board

Public Entity Risk Pools, Any Pools:

The Ohio Plan  
American Municipal Power Ohio

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**A. Basis of Presentation**, (continued)

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash and investment balances of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

**Fund Financial Statements**

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. Village funds are divided into three categories: governmental, proprietary, and fiduciary.

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**B. Fund Accounting**, (continued)

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds for 2010 and 2009 were the general fund and the street construction maintenance & repair fund.

General Fund – 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction Maint & Repair Fund – accounts for gasoline and vehicle registration tax revenue and expenses related to street construction, maintenance, and repair.

Other governmental funds of the Village are used to account for grants and other resources, and capital projects whose use is restricted to a particular purpose.

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds for 2010 and 2009 were the water operating, electric operating, electric reserve and sewer reserve funds.

Water Operating Fund - The water fund accounts for the provision of water utility services to the residents and commercial users located within the Village.

Electric Operating Fund – The electric fund accounts for the provision of electrical power to the residents and commercial users within the Village.

Electric Reserve – The sewer reserve fund accounts for funds reserved for future capital improvements, i.e. for an electrical sub-station.

Sewer Reserve – The enterprise reserve fund accounts for funds reserved for future capital improvements to the Village's sewer system.

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**B. Fund Accounting**, (continued)

**Fiduciary Funds**

Fiduciary funds include pension trust, investment trust, private purpose trust, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments, which are not available to support the Village's own programs. The Village's only fiduciary fund was Mayors Court Fund. At December 31, 2010 and 2009 the fund had a zero balance.

Mayors Court Fund – receives money from citations issued by the Village's Police department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State of Ohio.

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency, are legally required to be budgeted and appropriated. Major documents prepared are the certificate of estimated resources and the appropriations ordinance; both are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. Although the Auglaize County Budget Commission waived the required tax budget, the Village submitted financial data required to assess need. The certificate of estimated resources establishes a limit on what Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and modified object level for all funds.

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

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



Village of New Knoxville  
Auglaize County  
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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest is presented as “Equity in Pooled Cash and Cash Equivalents.”

Investments of the cash management pool with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2010 and 2009, the Village invested in nonnegotiable certificates of deposit, U.S. Treasury Bills, a money market fund, and STAR Ohio. Investments are recorded at cost, except for the money market fund and Star Ohio. The Village’s money market fund investment is recorded at the amount reported by the Village’s financial institution on December 31, 2010 and 2009.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2010 and 2009.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2010 and 2009 were \$2,715 and \$3,802, respectively.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets on December 31, 2010 or 2009.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Village of New Knoxville  
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*Notes to the Financial Statements*  
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**Note 2 – Summary of Significant Accounting Policies** (Continued)

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to payments for unused leave. Unpaid leave is not reflected as a liability under the Village cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for streets construction and security of persons and property.

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

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**N. Interfund Transactions**

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of New Knoxville  
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**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis, presented for the General Fund and Street Construction, Maintenance Funds for 2010 and 2009, are prepared on the budgetary basis to provide a meaningful comparison of actual results with budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balances (cash basis).

The encumbrances outstanding at December 31, (budgetary basis) amounted to \$3,811 and \$2,433 for the General Fund and \$167 and \$163 for the Street Construction Fund, for 2010 and 2009, respectively.

**Note 4 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories:

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

*Inactive deposits* are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

*Interim deposits* are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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**Note 4 – Deposits and Investments** (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio).

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 Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year-end, the Village had \$200 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents” and “Investments”.

**Deposits**

At year-ended December 31, 2010, the carrying amount of the Village’s deposits was \$628,882, and the bank balance was \$638,126. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures” \$387,826 was exposed to custodial risk as discussed below, while \$250,300 was covered by federal depository Insurance Corporation.

At year-ended December 31, 2009, the carrying amount of the Village’s deposits was \$390,445, and the bank balance was \$409,790. Of the bank balance \$159,166 was exposed to custodial risk as discussed below, while \$250,624 was covered by federal depository Insurance Corporation

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. All deposits are collateralized by eligible securities in amounts equal to at least 105 percent of carrying value of the deposits. Such collateral, as permitted by the Ohio revised code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve, in the name or the respective depository bank and pledged as collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the Village’s name.

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

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*Notes to the Financial Statements*  
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**Note 4 – Deposits and Investments** (Continued)

**Investments**

As of December 31, the Village had the following investments:

	2010 Carrying Value	2009 Carrying Value	Maturity
5/3 US Treasury MM Fund	\$ 8,763	\$ 7,717	04/30/2020
5/3 US Treasury MM Fund	35,050	35,050	10/07/2020
STAR Ohio	562,704	562,096	Average
Total Portfolio	<u>\$606,517</u>	<u>\$604,863</u>	

**Interest rate risk** - arises because the fair value of investments change as interest rates change. The Village has no investment policy dealing with interest rate risk; the Fiscal Officer is authorized to invest public moneys only in (1) interim deposits pursuant to division B3 of section 135.14 of the Revised Code, (2) no-load money market mutual funds consisting exclusively of United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States; bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, (3) The Ohio subdivision’s fund pursuant to division B6 of section 135.14 and as provided in section 135.45 of the Revised Code.

**Credit Risk** - The Fifth Third US Treasury Money Market Fund carries a Standard and Poor’s rating of AAAM, and STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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

**Concentration of credit risk** - is the risk of loss attributed to the amount of a government’s investment in any single issuer. The Village has no investment policy limiting the amount that may be invested in any one issuer.

Village of New Knoxville  
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**Note 4 – Deposits and Investments**, (Continued)

**Reconciliation of Cash and its Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investment to the Statement of Net Assets at December 31:

	<u>2010</u>	<u>2009</u>
Investment (summarized above)	\$ 606,517	\$ 604,863
Carrying amount of Village’s deposits	628,882	390,445
Petty Cash	200	200
Pooled Cash and Investments – Statement of Net Assets	<u>\$1,235,599</u>	<u>\$ 995,508</u>

**Note 5 – Income Taxes**

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 1.5 percent of the 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and to file a final return annually. Income tax collections for 2010 and 2009 were \$257,389 and \$281,598, respectively.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due February 15, with the remainder payable by July 14.

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2010 (other than public utility property) represent the collection of 2010 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009 on the true value as of December 31, 2009. Tangible personal property is currently assessed at 12.5 percent of true value. Amounts paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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**Note 6 – Property Taxes**, (Continued)

The assessed values of real property, public utility property, and tangible personal property upon which 2010 and 2009 property tax receipts were based are as follows:

Real Property:	2010	2009
Agricultural/Residential	\$10,897,920	\$10,849,010
Commercial/Industrial	2,023,410	2,015,100
Public Utilities Real	66,900	62,540
Total Assessed Value	<u>\$12,988,230</u>	<u>\$12,926,650</u>

The full tax rate for all Village operations for the years ended December 31, 2010 and 2009, was \$4.40 per \$1,000 of assessed value.

**Note 7 – Risk Management**

Through December 31, 2008, the Village belongs to the Ohio Plan Risk Management, Inc. (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management programs and other administrative services to Ohio governments (members). The Plan was legally separate from its member governments.

On January 1, 2009 through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management Inc. (OPRM) – formally known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium Inc. (OPHC) – formally known as the Ohio Healthcare Consortium; and
- Ohio Plan Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven members that include appointed and elected officials from member organizations.

Pursuant to Ohio Revised Code Sec. 2744.081, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Risk Plan management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

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**Note 7 – Risk Management**, (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (OPHC), as authorized by section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out of pocket maximums. OPHC had 60 members as of December 31, 2009.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008, the latest information available:

	2009			2008
	OPRM	OPHC	Total	
Assets	\$11,176,186	\$11,176,186	\$11,176,186	\$10,471,114
Liabilities	(4,852,485)	(4,852,485)	(4,852,485)	(5,286,781)
Members Equity	\$6,323,701	\$6,323,701	\$6,323,701	\$ 5,184,333

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org). Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Village also provides health insurance and dental to full-time employees through a private carrier.

**Note 8 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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



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**Note 8 – Defined Benefit Pension Plans** (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-5601, or by calling (614) 222- 6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010 and 2009, member and contribution rates were consistent across all three plans, law enforcement and public safety divisions exist only within the traditional plan. The 2010 and 2009, member contribution rates were 10.0 percent, for members in state and local classifications, public safety and law enforcement members contributed 10.1 percent and 11.1 percent, respectively.

The Village's contribution rate for 2010 and 2009 was 14.0 percent, of covered payroll, except for those plan members in law enforcement or public safety, for whom the Village contribution was 17.87 percent for 2010 and 17.4 percent for 2009 of covered payroll.

The Village's required contributions for the years' pension obligations to the tradition pension and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$29,360.13, \$27,430, and \$23,331, respectively; 100 percent has been contributed for 2010, 2009 and 2008.

**Note 9 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

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

Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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**Note 9 – Postemployment Benefits** (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, local government employer units contributed at 14 percent of covered payroll and law enforcement or public safety contribution was 17.87 percent for 2010 and 17.4 percent for 2009. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement or public safety units. Active members do not make contributions to the OPEB plan.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For January 1 through February 28, 2010, the employer contribution allocated to the health care plan was 5.5 percent and 5.0 percent from March 1 through December 31, 2010, respectively, of covered payroll. For January 1 through March 31, 2009, the employer contribution allocated to the health care plan was 7.0 percent and 5.5 percent from April 1 through December 31, 2009, respectively, of covered payroll. The portion of employer contributions allocated to health care for members in the combined plan was 4.73 percent from January 1, 2010 through February 28, 2010 and 4.23 percent from March 1, 2010 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were \$14,880, \$20,024, and \$23,331, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

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

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**Note 10 - Debt**

The Village's long-term debt activity for the year ended December 31, 2010, was as follows:

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<b><u>Governmental Activities</u></b>						
Industrial Park Note	3.600%	325,297	0	68,460	256,837	45,000
Fire Truck	3.698%	13,192	0	13,192	0	0
2006 OPWC Loan, South St. (Original Amount \$88,500.00)	0.00%	70,800	0	4,425	66,375	2,213
2003 OPWC Loan, Botkins/Angle St. (Original Amount \$24,000.00)	0.00%	15,000	0	1,200	13,800	600
2001 OPWC Loan, Mill St. (Original Amount \$72,000.00)	0.00%	43,200	0	3,600	39,600	1,800
2008 OPWC Loan, Laura St. (Original Amount \$55,021.85)	0.00%	51,354	0	1,834	49,520	917
Street Assessment Notes	3.125- 5.75%	25,086	0	6,331	18,755	4,847
Street Assessment Notes	4.00%	9,050	0	2,130	6,920	2,216
Main Street Sewer OPWC- CM36M	0.00%	18,825	0	941	17,884	471
<b>Total Governmental Activities</b>		<b>\$571,804</b>	<b>\$0</b>	<b>\$102,113</b>	<b>\$469,691</b>	<b>\$58,061</b>
<b><u>Business-Type Activities</u></b>						
1999 Mortgage Revenue Bonds (Original Amount \$380,000)	4.7%	275,000	0	15,000	260,000	20,000
General Obligation Bonds, WW (Original Amount \$250,000)	4.9%	165,000	0	10,000	155,000	10,000
OPWC Water Works (Original Amount \$305,324.41)	0%	167,930	0	15,266	152,664	7,633
<b>Total Business-type Activities</b>		<b>\$607,930</b>	<b>\$0</b>	<b>\$40,266</b>	<b>\$567,664</b>	<b>\$37,633</b>

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**Note 10 – Debt**, (Continued)

The Village’s long-term debt activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<b><u>Governmental Activities</u></b>						
Industrial Park Note	3.600%	393,779	0	68,482	325,297	45,000
Fire Truck	3.698%	25,908	0	12,716	13,192	13,192
2006 OPWC Loan, South St. (Original Amount \$88,500.00)	0.00%	75,225	0	4,425	70,800	4,425
2003 OPWC Loan, Botkins/Angle St. (Original Amount \$24,000.00)	0.00%	16,200	0	1,200	15,000	600
2001 OPWC Loan, Mill St. (Original Amount \$72,000.00)	0.00%	46,800	0	3,600	43,200	1,800
2008 OPWC Loan, Laura St. (Original Amount \$55,021.85)	0.00%	53,188	0	1,834	51,354	917
Street Assessment Notes	3.125- 5.75%	42,845	0	17,759	25,086	12,760
Street Assessment Notes	4.00%	0	11,506	2,456	9,050	2,216
Main Street Sewer OPWC- CM36M	0.00%	0	18,825	0	18,825	471
<b>Total Governmental Activities</b>		<b>\$653,945</b>	<b>\$30,331</b>	<b>\$112,472</b>	<b>\$571,804</b>	<b>\$81,381</b>
<b><u>Business-Type Activities</u></b>						
1999 Mortgage Revenue Bonds (Original Amount \$380,000)	4.70%	290,000	0	15,000	275,000	15,000
General Obligation Bonds, WW (Original Amount \$250,000)	4.90%	175,000	0	10,000	165,000	10,000
OPWC Water Works (Original Amount \$305,324.41)	0.00%	183,196	0	15,266	167,930	7,633
<b>Total Business-type Activities</b>		<b>\$648,196</b>	<b>\$0</b>	<b>\$40,266</b>	<b>\$607,930</b>	<b>\$30,633</b>

**The Industrial Park Note** for \$495,000 note was obtained for the purpose of Capital Acquisition and Capital Improvements, specifically for the purchase of property located at 105 East Bremen Street, and for construction of the New Knoxville Industrial Park. The note will be repaid from the General Fund and from lot sales in the subdivision. In addition, interest on the principal balance will be paid annually for a 7-year term, with the option to renew at the end of term.

**The Village and Washington Township acquired a joint note** for the purchase of a Fire Truck in 2005, \$61,894 being the Village portion. The note matured in April 2010.

Village of New Knoxville  
 Auglaize County  
*Notes to the Financial Statements*  
 For the Years Ended December 31, 2010 and 2009

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**Note 10 – Debt**, (Continued)

**The OPWC Issue II loans for Governmental activities** are twenty year, interest free loans that were secured for street construction projects and are payable from income tax receipts; principal amount transferred annually from the General Fund to individual debt service funds.

**Street Assessment notes** were issued in anticipation of assessments against individual property owners within the Village and have been renewed, when necessary, to allow property owners ten years to pay their assessment. Proceeds from the notes were used to finance improvements to Village streets and sidewalks.

**The Ohio Public Works Commission (OPWC) Main Street Sewer Loan** was issued for \$18,825 for the Main Street Storm Sewer Outlet Replacement. The interest-free loan will be repaid over a twenty-year term, as reflected below.

**The Mortgage Revenue Bonds** were issued in 1999 for \$380,000 with proceeds used for construction of the Village water system. The bonds will be paid over a period of twenty years in annual payments as reflected below. The bonds are collateralized by a first mortgage on the waterworks system. The bonds will be paid by revenue generated by income tax receipts.

As required by the mortgage revenue bond covenant, the Village has established and funded an Enterprise debt service reserve fund. The balance in the fund on December 31, 2010 was \$35,050.

**Special Assessment Bonds** were issued for \$250,000 with proceeds used for construction of the water system project. The bonds will be paid over a twenty-year period as reflected below. Bonds will be paid with assessments.

**The Ohio Public Works Commission (OPWC) Water Works Loan** was issued for \$305,324 for the Village water supply system project. The interest-free loan will be repaid over a twenty-year term, as reflected below, by revenue generated by the waterworks system. Principal amount is transferred annually from the water fund to individual debt service fund for repayment.

The following is a summary of the Village’s future annual debt service requirements, including interest:

Year	Industrial Park Note		OPWC Street Loans	Street Assessment Notes	
	Principal	Interest	Principal	Principal	Interest
2011	\$45,000	\$8,436	\$6,001	\$ 7,063	\$1,104
2012	211,837	6,953	12,000	7,233	804
2013	0	0	12,000	5,228	284
2014	0	0	12,000	1,946	284
2015	0	0	12,000	2,037	194
2016 - 2020	0	0	60,005	2,168	99
2021 - 2125	0	0	43,805	0	0
2026 - 2130	0	0	15,611	0	0
2031 - 2135	0	0	9,170	0	0
2036 - 2040	0	0	4,587	0	0
Totals	\$256,837	\$15,389	\$187,179	\$25,675	\$2,987

Village of New Knoxville  
 Auglaize County  
*Notes to the Financial Statements*  
 For the Years Ended December 31, 2010 and 2009

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**Note 10 – Debt**, (Continued)

Year	Mortgage Revenue Bonds		Special Assessment Bonds		OPWC Waterworks
	Principal	Interest	Principal	Interest	Principal
2011	\$20,000	\$15,050	\$10,000	\$8,702	\$7,633
2012	20,000	13,960	15,000	8,172	15,266
2013	20,000	12,850	15,000	7,370	15,266
2014	20,000	11,730	15,000	6,560	15,266
2015	20,000	10,590	15,000	5,744	15,266
2016 - 2020	130,000	32,448	85,000	15,635	76,334
2021 - 2125	30,000	1,770	0	0	7,633
Totals	<u>\$260,000</u>	<u>\$98,398</u>	<u>\$155,000</u>	<u>\$52,183</u>	<u>\$152,664</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2010, were an overall debt margin of \$1,099,902 and an unvoted debt margin of \$710,673.

**Note 11– Interfund Transfers and Advances**

During 2010, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Other Governmental Funds	\$ 141,000
Other Enterprise Funds	31,899
<b>Total Transfers from the General Fund</b>	<b>\$172,899</b>
 <i>Transfers from Non-Major Governmental Funds to:</i>	
Enterprise Operating Funds	\$ 3,000
 <i>Transfers from Water Operating Fund to:</i>	
Non-Major Enterprise Funds	\$ 21,683
 <i>Transfers from Electric Operating Fund to:</i>	
Electric Reserve Fund	\$ 25,000
 <i>Transfers from Sewer Operating Fund to:</i>	
Non-Major Enterprise Funds	\$ 13,090

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 11– Interfund Transfers and Advances**, (Continued)

During 2009, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Other Governmental Funds	\$ 120,923
Other Enterprise Funds	30,758
<b>Total Transfers from the General Fund</b>	<b>\$ 151,681</b>
 <i>Transfers from Water Operating Fund to:</i>	
Non-major Enterprise Funds	\$ 30,368
 <i>Transfers from Electric Operating Fund to:</i>	
Electric Reserve Fund	\$ 29,000
Non-Major Governmental Funds	1,000
<b>Total Transfers from the Electric Operating Fund</b>	<b>\$ 30,000</b>
 <i>Transfers from Non-Major Enterprise Funds to:</i>	
Sewer Reserve Fund	\$ 88,137
Non-Major Governmental Funds	1,000
Non-Major Enterprise Funds	5
<b>Total Transfers from Non-Major Enterprise Funds</b>	<b>\$ 89,142</b>

General fund transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and ordinances approved by council.

Other transfers include:

- 1) Transfers between General, Water, Sewer, and Electric Operating Funds and related Salaries Reserve Accounts.
- 2) Annual transfers from Water Fund to Debt Service Fund for repayment of debt.
- 3) Transfer of interest from Debt Service Reserve to Bond Payment fund.
- 4) Transfers from Water, Sewer, and Electric Operating Funds to related reserve funds for capital rehab and/or replacement.

Village council approved establishment of Special Revenue Fund for accruing resources to pay accumulated sick leave for employees, and for payment of salaries and wages during any fiscal year when the number of pay periods for that year exceeds the usual and customary number of pay periods. In addition, council approved fund transfers between the General, Water, Sewer and Electric Operating Funds and the Salary Reserve Fund.

In 2009, the General Fund made a \$6,000 advance to the Fire Levy Fund, which was repaid in the same year.

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 12 – Contingent Liabilities**

The Village is not party to any ongoing litigation. Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 13 – Jointly Governed Organizations**

- AUGLAIZE COUNTY EMERGENCY MANAGEMENT COOPERATIVE

The Auglaize County Emergency Management Cooperative was established by the County, the municipalities, and the townships within the County and was created to perform services of coordinating the emergency management activities within Auglaize County, including the political subdivisions. The Cooperative has established a County-Wide Advisory Group for emergency management that consists of a representative from each political subdivision cooperative member under Section 5915.06 of the Ohio Revised Code. Administrator Katterheinrich is a member of the Advisory Group.

- AUGLAIZE COUNTY REVOLVING LOAN FUND PROGRAM

The Board of County Commissioners agreed to work with the West Central Development Corporation for any Auglaize County businesses or corporations desiring to participate in the Revolving Loan Program offered by the State of Ohio Department of Development. The Board of County Commissioners appointed ten members to oversee the Revolving Loan Fund concerns for Auglaize County. Administrator Katterheinrich is one of the ten appointed members.

**Note 14 – Public Entity Risk Pool**

- THE OHIO PLAN

The Ohio Government Risk Management Plan (“the Plan”) was organized in June of 1988, as authorized by Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members and an instrumentality for each member for the sole purpose of enabling members of the Plan to provide for formalized, jointly administered self-insurance programs to maintain adequate self-insurance protection, risk management programs, and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the Plan are political subdivisions such as townships, villages, cities and others in the State of Ohio, which are eligible to participate under applicable statute, ruling, or law subject to certain underwriting standards as deemed appropriate by the Plan and its administrator. The Plan is governed by a Board of Directors comprised of appointed and elected representatives of public entities that participate in the program.



Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 14 – Public Entity Risk Pool**, (Continued)

The Plan was first established to provide property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. The OPRM has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the property and casualty coverages provided, in excess of the member’s deductible.

The Ohio Plan Healthcare Consortium (“OPHC”) was organized in August 2007 as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays, and out-of-pocket maximums.

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

Administrator Katterheinrich serves on the board.

- AMERICAN MUNICIPAL POWER

American Municipal Power, Inc. (AMP) is a not-for-profit Ohio corporation organized to provide electric capacity and energy and to furnish other services to its members on a cooperative basis. AMP is a tax-exempt organization for federal tax purposes under Section 501(c) (12) of the Internal Revenue Service Code. AMP is a membership organization comprised of 82 municipalities throughout Ohio, two municipalities in West Virginia, 30 municipalities in Pennsylvania, six municipalities in Michigan, five municipalities in Virginia, and three municipalities in Kentucky, all but one of which own and operate electric systems. AMP purchases and generates electric capacity and energy for sale to its members. AMPO, Inc. is a for-profit subsidiary that provides electric and natural gas aggregation consulting services to both members and nonmembers in Ohio.

In addition, AMP serves as a project manager for Ohio members participating in joint venture projects to share ownership of power generation and transmission facilities, known as Ohio Municipal Electric Generation Agency Joint Ventures: 1, 2, 4, 5, and 6. AMP is closely aligned with Ohio Municipal Electric Association (OMEA), the legislative liaison for the state’s municipal electric systems. In addition to the OMEGA Joint Ventures, Municipal Energy Services Agency (MESA) has also been formed by the members. MESA provides management and technical services to AMP, its members, and the OMEGA Joint Ventures.

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 14 – Public Entity Risk Pool**, (Continued)

AMP has received approval pursuant to a private letter ruling from the Internal Revenue Service (IRS) to issue tax-exempt securities on behalf of its members. In connection with the financing of projects undertaken by the electric systems of certain member communities, AMP has issued tax-exempt debt on their behalf. Additionally, AMP has issued tax-exempt bonds to finance the construction of its generating projects.

AMP has 100% of the membership interests in AMP 368 LLC ("AMP 368"). AMP 368 is a wholly owned and consolidated subsidiary of AMP, which through AMP 368 is the owner of a 23.26%, or 368MW, undivided interest in the Prairie State Energy Campus (PSEC). The PSEC is a mine-mouth, pulverized coal-fired generating station under construction in southwest Illinois.

AMP also has 100% of the membership interests in Meldahl, LLC ("Meldahl LLC"). Meldahl LLC is a wholly owned and consolidated subsidiary of AMP, which through Meldahl LLC, is the owner of the 105 MW Meldahl project under construction as a run-of-the river hydroelectric facility on the Ohio River.

**Note 15 – New Knoxville Community Improvement Corporation**

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of the New Knoxville Community Improvement Corporation.

**Basis of Accounting**

The New Knoxville Community Improvement Corporation prepares financial statements on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. For years ended December 31, 2010 and 2009, the CIC had no receipts or disbursements. Net Assets were \$0.

**Budgetary Basis of Accounting**

Budgetary information for the CIC is not presented because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain separate budgetary financial records.

**Note 16 – Related Party Transaction**

In 2009, Council member Andrew Roettger, purchased a tract of land in Westphalia. The Village has a contract with the developer for lot sales in the division. Mr. Roettger purchased the land for \$29,000, per contract, the Village, the CIC, and Westbury Limited (the developer); the Village received \$5,000.

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**Manning & Associates**  
**Certified Public Accountants, LLC**

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

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

Members of Council  
Village of New Knoxville  
Auglaize County  
PO Box 246  
New Knoxville, Ohio 45871-0246

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of New Knoxville, Auglaize County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 9, 2011, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

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

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

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### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

June 9, 2011

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# Dave Yost • Auditor of State

VILLAGE OF NEW KNOXVILLE

AUGLAIZE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 9, 2011