



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 1, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New Knoxville, Auglaize County, (the Village), as of and for the years ended December 31, 2004 and 2003. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 1, 2005

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$61,550	\$2,429			\$63,979
Municipal Income Tax	246,095				246,095
Special Assessments		15,950			15,950
Intergovernmental Receipts	85,402	141,289			226,691
Charges for Services	88,196				88,196
Fines, Licenses, and Permits	3,623				3,623
Earnings on Investments	6,464	472			6,936
Miscellaneous	6,874	812			7,686
	<u>498,204</u>	<u>160,952</u>			<u>659,156</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	113,237	83,338			196,575
Public Health Services	56				56
Leisure Time Activities	29,696				29,696
Basic Utility Services	23,733				23,733
Transportation		83,300			83,300
General Government	194,723				194,723
Debt Service:					
Principal Payments		12,124	4,800		16,924
Interest Payments		3,543			3,543
Capital Outlay	57,180	18,640			75,820
	<u>418,625</u>	<u>200,945</u>	<u>4,800</u>		<u>624,370</u>
Total Receipts Over/(Under) Disbursements	<u>79,579</u>	<u>(39,993)</u>	<u>(4,800)</u>		<u>34,786</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		4,536	4,800		9,336
Advances-In	15,000				15,000
Transfers-Out	(38,540)			(3,436)	(41,976)
Advances-Out	(15,000)				(15,000)
	<u>(38,540)</u>	<u>4,536</u>	<u>4,800</u>	<u>(3,436)</u>	<u>(32,640)</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,039	(35,457)		(3,436)	2,146
Fund Cash Balances, January 1	<u>37,622</u>	<u>75,266</u>		<u>3,436</u>	<u>116,324</u>
Fund Cash Balances, December 31	<u>\$78,661</u>	<u>\$39,809</u>	<u>\$0</u>	<u>\$0</u>	<u>\$118,470</u>
Reserves for Encumbrances, December 31	<u>\$55,405</u>	<u>\$5,466</u>			<u>\$60,871</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type	Fiduciary Funds	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$826,778		\$826,778
Operating Cash Disbursements:			
Personal Services	99,634		99,634
Fringe Benefits	49,215		49,215
Contractual Services	522,174		522,174
Supplies and Materials	47,960		47,960
Other	6,129		6,129
Capital Outlay	69,957		69,957
Total Operating Cash Disbursements	795,069		795,069
Operating Income	31,709		31,709
Non-Operating Cash Receipts:			
Special Assessments	20,937		20,937
Earnings on Investments	977		977
Proceeds from Notes	30,000		30,000
Court Fines & Fees		1,737	1,737
Other Non-Operating Receipts	2,735		2,735
Total Non-Operating Cash Receipts	54,649	1,737	56,386
Non-Operating Cash Disbursements:			
Distribution of Court Fines & Fees		1,737	1,737
Redemption of Principal	36,013		36,013
Interest and Other Fiscal Charges	33,555		33,555
Total Non-Operating Cash Disbursements	69,568	1,737	71,305
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	16,790		16,790
Transfers-In	42,132		42,132
Advances-In	15,000		15,000
Transfers-Out	(9,492)		(9,492)
Advances-Out	(15,000)		(15,000)
Net Receipts Over Disbursements	49,430		49,430
Fund Cash Balances, January 1	649,413	4,247	653,660
Fund Cash Balances, December 31	\$698,843	\$4,247	\$703,090
Reserve for Encumbrances, December 31	\$2,510		\$2,510

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$60,126	\$2,259			\$62,385
Municipal Income Tax	239,617				239,617
Special Assessments		10,721			10,721
Intergovernmental Receipts	107,741	38,142		4,208	150,091
Charges for Services	56,152				56,152
Fines, Licenses, and Permits	5,078				5,078
Earnings on Investments	6,518	252			6,770
Miscellaneous	28,288	3,064			31,352
Total Cash Receipts	<u>503,520</u>	<u>54,438</u>		<u>4,208</u>	<u>562,166</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	116,828	750			117,578
Public Health Services	57				57
Leisure Time Activities	45,047	5,931			50,978
Basic Utility Services	26,306				26,306
Transportation		83,382			83,382
General Government	165,951				165,951
Debt Service:					
Principal Payments		9,681	5,400		15,081
Interest Payments		1,710			1,710
Capital Outlay	46,680			4,208	50,888
Total Cash Disbursements	<u>400,869</u>	<u>101,454</u>	<u>5,400</u>	<u>4,208</u>	<u>511,931</u>
Total Receipts Over/(Under) Disbursements	<u>102,651</u>	<u>(47,016)</u>	<u>(5,400)</u>		<u>50,235</u>
Other Financing Receipts and (Disbursements):					
Other Debt Proceeds		32,710			32,710
Transfers-In		12,991	5,400		18,391
Transfers-Out	(132,279)				(132,279)
Total Other Financing Receipts/(Disbursements)	<u>(132,279)</u>	<u>45,701</u>	<u>5,400</u>		<u>(81,178)</u>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(29,628)	(1,315)			(30,943)
Fund Cash Balances, January 1	67,250	76,581		3,436	147,267
Fund Cash Balances, December 31	<u>\$37,622</u>	<u>\$75,266</u>	<u>\$0</u>	<u>\$3,436</u>	<u>\$116,324</u>
Reserves for Encumbrances, December 31	<u>\$10,270</u>	<u>\$1,677</u>			<u>\$11,947</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$809,773		\$809,773
Operating Cash Disbursements:			
Personal Services	94,345		94,345
Fringe Benefits	35,759		35,759
Contractual Services	539,593		539,593
Supplies and Materials	52,243		52,243
Other	6,061		6,061
Capital Outlay	292,161		292,161
Total Operating Cash Disbursements	1,020,162		1,020,162
Operating (Loss)	(210,389)		(210,389)
Non-Operating Cash Receipts:			
Special Assessments	21,911		21,911
Earnings on Investments	186		186
Court Fines & Fees		5,535	5,535
Other Non-Operating Receipts	7,164		7,164
Total Non-Operating Cash Receipts	29,261	5,535	34,796
Non-Operating Cash Disbursements:			
Distribution of Court Fines & Fees		5,535	5,535
Redemption of Principal	35,271		35,271
Interest and Other Fiscal Charges	40,912		40,912
Total Non-Operating Cash Disbursements	76,183	5,535	81,718
Receipts (Under) Disbursements Before Interfund Transfers and Advances	(257,311)		(257,311)
Transfers-In	129,154		129,154
Transfers-Out	(15,266)		(15,266)
Net Receipts (Under) Disbursements	(143,423)		(143,423)
Fund Cash Balances, January 1	792,836	4,247	797,083
Fund Cash Balances, December 31	\$649,413	\$4,247	\$653,660
Reserve for Encumbrances, December 31	\$23,079		\$23,079

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Knoxville, Auglaize County, (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including water, electric and sewer utilities, street construction maintenance and repair, refuse services, park operations, and fire and police services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

Certificates of deposit are valued at cost. Money market funds are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

FEMA – Fire Department Federal Grant Fund –During 2004, this fund received the proceeds of a federal grant awarded to the fire department for expenditures related to protecting the health and safety of the public and firefighting personnel against fire and fire-related hazards.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

Issue II Mill Street Reconstruction Fund - This fund receives Municipal Income Tax for the repayment of debt for street repair and maintenance.

Issue II Botkins-Angle Road Reconstruction Fund - This fund receives Municipal Income Tax for the repayment of debt for street repair and maintenance.

4. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Botkins-Angle Road Capital Project Fund – During 2003, this fund received money from an OPWC grant. The proceeds are being used for street repair and maintenance.

5. Enterprise Fund

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility. The Village purchases electric from the City of St. Marys.

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Unclaimed Monies Fund - This fund accounts for monies unclaimed by vendors or employees.

Mayor's Court Fund – This fund accounts for the collection and distribution of court fines and costs.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2004	2003
Demand deposits	\$685,635	\$634,263
Certificates of deposit	100,000	100,000
Total deposits	785,635	734,263
Money Market Mutual Fund	35,925	35,721
Total deposits and investments	\$821,560	\$769,984

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$497,494	\$498,204	\$710
Special Revenue	157,821	165,488	7,667
Debt Service	4,800	4,800	0
Enterprise	931,712	923,559	(8,153)
Total	<u>\$1,591,827</u>	<u>\$1,592,051</u>	<u>\$224</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$523,839	\$512,570	\$11,269
Special Revenue	231,786	206,411	25,375
Debt Service	4,800	4,800	0
Capital Projects	3,436	3,436	0
Enterprise	1,407,069	876,639	530,430
Total	<u>\$2,170,930</u>	<u>\$1,603,856</u>	<u>\$567,074</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$493,468	\$503,520	\$10,052
Special Revenue	95,659	100,139	4,480
Debt Service	5,400	5,400	0
Capital Projects	4,208	4,208	0
Enterprise	941,622	968,188	26,566
Total	<u>\$1,540,357</u>	<u>\$1,581,455</u>	<u>\$41,098</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$560,360	\$543,418	\$16,942
Special Revenue	164,924	103,131	61,793
Debt Service	5,400	5,400	0
Capital Projects	14,302	4,208	10,094
Enterprise	1,727,212	1,134,690	592,522
Total	<u>\$2,472,198</u>	<u>\$1,790,847</u>	<u>\$681,351</u>

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village has a contract with the City of St. Marys to collect income tax on behalf of the Village.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$326,460	0.00%
Commercial Loan	30,075	2.45%
Special Assessment Notes	61,367	2.32-5.75%
General Obligation Bonds	215,000	4.80-5.85%
Mortgage Revenue Bonds	350,000	4.55-5.90%
Total	<u>\$982,902</u>	

The Ohio Public Works Commission (OPWC) Loans – relates to 3 loans. The first loan is for a water supply system project. The OPWC has approved up to \$449,000 in loans to the Village for this project. The loan is collateralized by income tax receipts. The second loan is for reconstruction of Mill Street. The Village was approved for \$72,000. The third loan is for the reconstruction of Botkins Angle Rd. The Village was approved for \$24,000. The loans will be repaid in semiannual installments over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

Commercial Loan – was obtained to supplement the sewer fund due to incurring greater expenses than originally estimated for the sewer project. This is only a one-year loan.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

Special Assessment Notes – were issued in anticipation of assessments against individual property owners within the Village and have been renewed. Proceeds from the notes were used to finance improvements to Village streets and sidewalks.

General Obligation Bonds – were issued in the amount of \$250,000 with proceeds to be used to construct the water system project. The bonds will be paid over a period of 20 years in annual payments as reflected below. The bonds will be paid by income tax receipts.

Mortgage Revenue Bonds – were issued in the amount of \$380,000 with proceeds to be used to construct the water system project. The bonds will be paid over a period of 20 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 the waterworks system.

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as an Enterprise debt service fund. The balance in the fund at December 31, 2004 is \$35,132.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan	Commercial Loan	Special Assessment Notes	General Obligation Bonds	Mortgage Revenue Bonds
2005	\$20,066	\$30,812	\$10,953	\$21,790	\$34,665
2006	20,066	0	10,649	21,285	33,920
2007	20,066	0	9,338	20,775	33,170
2008	20,066	0	9,045	20,263	32,412
2009	20,066	0	7,962	19,747	31,640
2010-2022	226,130	0	22,725	226,403	389,253
Total	<u>\$326,460</u>	<u>\$30,812</u>	<u>\$70,672</u>	<u>\$330,263</u>	<u>\$555,060</u>

7. RETIREMENT SYSTEMS

The Village's employees and part-time law enforcement officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. SUBSEQUENT EVENTS

The Village had the following material matters occur after December 31, 2004:

- The Council awarded bid for fire department tanker/pumper to Midwest Fire in the amount of \$160,648.
- The Council approved to issue new debt for the purchase of the fire truck in the amount of \$61,894. This debt was issued with First National Bank in New Bremen on July 14, 2005 at the rate of 3.65% per year for a period of five years.
- The Council awarded bid for the Industrial Park Phase 1 to Williams Excavating in the amount of \$373,974.
- The Council approved to issue new debt with Minster Bank for the purchase of the New Knoxville Supply building and the Industrial Park development, in the amount of \$495,000. This debt was issued on July 26, 2005 at the rate of 3.60% for a period of seven years.
- The Council awarded bid for the West South Street construction project to Chuck Samples in the amount of \$181,842.

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of New Knoxville, Auglaize County, (the Village), as of and for the years ended December 31, 2004 and 2003, which and have issued our report thereon dated August 1, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 1, 2005, we reported on other matters involving internal control over financial reporting we did not deem as reportable conditions.

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 we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated August 1, 2005, we reported other matters related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Village of New Knoxville
Auglaize County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management, audit committee, and Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 1, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**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
SEPTEMBER 8, 2005**