

**VILLAGE OF NEW KNOXVILLE**

DAYTON REGION, AUGLAIZE COUNTY, OHIO

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2008 – 2007





Mary Taylor, CPA  
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, 2007 through December 31, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 16, 2009

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AUGLAIZE COUNTY**

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**MANNING & ASSOCIATES CPAS, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

**INDEPENDENT AUDITORS' REPORT**

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

To the Village Council:

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, 2008 and 2007, which collectively comprised 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 audits.

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 opinion.

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, 2008 and 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction, Maintenance and Repair funds 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 a report dated May 22, 2009, 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.

Management's discussion and analysis is not a required part of the basis financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Manning & Associates CPAs, LLC  
Dayton, Ohio

May 22, 2009



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*For the Years Ended December 31, 2008 and 2007*  
*Unaudited*

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This discussion and analysis of the Village of New Knoxville's (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2008 and 2007, 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 2008 are as follows:

Net assets of governmental activities increased \$68,647, or 24.7 percent. Business type activities saw an increase in net assets of \$11,689 or 2.1 percent. Although this increase is minimal, it indicates a significant improvement, as net assets of the Village Business type activities have experienced steady declines over the past years.

Municipal Income Tax represents 57.5 percent of the Village's general receipts. Property Taxes, Excise Tax, and Grants and Entitlements make up 9.6, 6.9, and 17.1 percent, respectively of the total general receipts for governmental activities during the year. Income tax receipts for 2008 increased 6.7 percent or \$18,629 from 2007. Although property tax receipts indicate a 72.24 percent increase (\$20,914) in receipts, \$21,745 of total property tax revenue was derived from the Fire Levy passed in 2007. Therefore, general fund property tax receipts actually decreased \$831 or 2.9 percent.

Capital expenses included:

- Purchase of a 2008 Ford cab and chassis for \$32,769 that was converted to dump truck for use by all departments.
- \$25,000 for dump body, spreader, and steel mount blade.
- \$30,000 paid to Village of Minster for digger truck.

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$84,095, or 43.4 percent. Business-type activities once again saw a decrease in net assets; 5.4 percent or \$32,726.

Municipal Income Tax represents 50.7 percent of the Village's general receipts. Property Taxes, Excise Tax, and Grants and Entitlements make up 5.3, 6.6, and 15.9 percent respectively of the total general receipts for governmental activities during the year. Income tax receipts for 2007 decreased 2.21 percent or \$6,293 from 2006. Property tax receipts saw a 15.0 percent reduction, \$5,082 as a result of the phase out of tangible personal property tax in the Ohio Tax Reform Plan.

Capital expenses included:

- Final payment of \$77,800 for the property purchased from Manbeck Brothers in 2003 for an Industrial Park
- \$22,519 for the purchase of a new pickup truck for general use
- \$61,135 for Laura Street reconstruction, \$55,022 of which was funded by Issue II loan money
- \$29,890 remaining FEMA grant money expended to convert truck purchased in 2006 to fire grass truck
- \$12,307 for the purchase of Electronic Radio Transmitters to continue installation of electronic meter reading system
- \$51,186 for electrical distribution systems

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**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. The statements are organized so the reader can understand the Village as a financial whole, or as an entire operating entity.

**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.

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 2008 and 2007, 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

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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.

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, sewer, and 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 Construction Maintenance & Repair 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, 2008 and 2007, the balance is \$0.

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**The Village as a Whole**

Table 1 provides a comparative summary of the Village's net assets for 2008, 2007 and 2006 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>			
<b>Assets</b>									
Cash and Equivalents	\$346,598	\$277,951	\$193,856	\$581,415	\$569,726	\$602,452			
Total Assets	<u>\$346,598</u>	<u>\$277,951</u>	<u>\$193,856</u>	<u>\$581,415</u>	<u>\$569,726</u>	<u>\$602,452</u>			
<b>Net Assets</b>									
Restricted for:									
Capital Projects	\$2,005	\$2,005	\$7,984	\$0	\$0	\$0			
Debt Services	8,499	6,440	4,135	9,177	9,735	0			
Other Purposes	112,372	101,594	79,994	0	0	0			
Unrestricted	<u>223,722</u>	<u>167,912</u>	<u>101,743</u>	<u>572,238</u>	<u>559,991</u>	<u>602,452</u>			
Total Net Assets	<u>\$346,598</u>	<u>\$277,951</u>	<u>\$193,856</u>	<u>\$581,415</u>	<u>\$569,726</u>	<u>\$602,452</u>			
				<u>Total</u>					
				<u>2008</u>	<u>2007</u>	<u>2006</u>			
<b>Assets</b>									
Cash and Equivalents	<u>\$928,013</u>			<u>\$847,677</u>			<u>\$796,308</u>		
Total Assets	<u>\$928,013</u>			<u>\$847,677</u>			<u>\$796,308</u>		
<b>Net Assets</b>									
Restricted for:									
Capital Projects	2,005			2,005			7,984		
Debt Services	17,676			16,175			4,135		
Other Purposes	112,372			101,594			79,994		
Unrestricted	<u>795,960</u>			<u>727,903</u>			<u>704,195</u>		
Total Net Assets	<u>928,013</u>			<u>847,677</u>			<u>796,308</u>		

As mentioned previously, net assets of governmental activities increased \$68,647 or 24.7 percent during 2008. Net assets of governmental activities increased \$84,095 or 43.38 percent during 2007. Considerations are as follows:

Village of New Knoxville  
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- For 2008, General receipts for governmental activities saw a total decrease of \$32,233 or 5.7 percent. The Village received greater debt proceeds reflected in 2007 revenue, representing debt for the Laura Street Project, inflating the general receipts.
- For 2008, Receipts for general fund general property tax saw a slight increase of \$350 or 1.41 percent, but this amount was more than offset by a 29.2 percent (\$1,182) decline in tangible personal property tax (TPP) revenue. The decline in TPP tax is due to House Bill 66 (Ohio Tax Reform) phase out of this tax. The TPP tax on general businesses in New Knoxville will be eliminated by 2009 and on telephone and telecommunications property by 2011. Receipts for property tax and tangible personal property tax for the Fire Levy fund were \$20,962 and \$78, respectively.
- Municipal income tax receipts saw an increase of \$18,629 (6.7 percent) in 2008 and a decrease of \$6,293 (2.2 percent) in 2007.
- Earnings on investments saw a 41.5 percent decline amounting to \$14,444 due to the widespread economic crisis and lower interest rates.
- The Village participated in the Bureau of Workers Compensation's Premium Discount Program and in the Grand Lake Area Safety Council in 2008 and 2007, which resulted in total premium reimbursements of \$8,113 and \$5,910 making the net paid for Worker's Compensation premiums \$24,131 and \$16,890 in 2008 and 2007, respectively.
- Total disbursements for governmental activities were reduced in both 2008 and 2007. Strict monitoring of expenditures in all department including street, fire, and police contributed to this reduction; however capital expenditures were significantly greater in 2006, including \$120,000 payment for the purchase of the NK Annex building on 105 E. Bremen Street, causing a significant reduction in capital disbursements for 2007.
- Village council approved 3 percent salary increases in 2008 and 2007.
- For 2007, General receipts for governmental activities saw a total increase of \$33,117 or 6.4 percent. Although receipts for tangible personal property tax, municipal income tax, and earnings on investments all saw declines (54.37, 2.21, and 16.05 percent, respectively), the Village received an Issue II loan/grant of \$55,022 for reconstruction of Laura Street, resulting in the increase.
- Revenue received from Washington Township for providing fire and first responder services for the Village and Township decreased in 2007 a major contributing factor in a decrease in total program receipts of 8.64 percent or \$6,918. Expenditures for Security of Persons and Property, which includes these services, also decreased 23.6 percent.

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Table 2 reflects the changes in net assets on a cash basis in 2008, 2007 and 2006 for governmental activities, business-type activities, and total primary government.

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

	Governmental Activities			Business Type Activities		
	2008	2007	2006	2008	2007	2006
<b>Receipts:</b>						
<b>Program Receipts:</b>						
Charges for Services and Sales	88,177	73,115	80,033	1,135,219	1,133,512	1,106,626
Operating Grants and Contributions	43,089	50,543	42,129	-	-	-
Capital Grants and Contributions	19,068	41,116	55,379	20,845	20,118	20,613
<b>Total Program Receipts</b>	<b>150,334</b>	<b>164,774</b>	<b>177,541</b>	<b>1,156,064</b>	<b>1,153,630</b>	<b>1,127,239</b>
<b>General Receipts:</b>						
Property Taxes Levied for General Purposes	49,863	28,949	35,071	-	-	-
Other Local Taxes (KwH Excise Tax)	36,048	36,171	34,475	2,201	2,248	2,098
Income Taxes	297,555	278,926	285,219	-	-	-
Grants and Entitlements Not Restricted to Specific Programs	88,700	87,665	87,790	-	-	-
Other Financing Sources	3,750	8,836	-	-	-	-
Sale of Notes	-	55,022	25,032	-	-	-
Sale of Fixed Assets	2,232	4,550	1,100	3,111	-	-
Earnings on Investments	20,346	34,790	41,439	684	2,101	3,327
Miscellaneous	18,961	14,779	6,445	26,118	3,589	3,857
<b>Total General Receipts</b>	<b>517,455</b>	<b>549,688</b>	<b>516,571</b>	<b>32,114</b>	<b>7,938</b>	<b>9,282</b>
<b>Total Receipts</b>	<b>667,789</b>	<b>714,462</b>	<b>694,112</b>	<b>1,188,178</b>	<b>1,161,568</b>	<b>1,136,521</b>
<b>Disbursements:</b>						
General Government	211,069	174,163	170,969	-	-	-
Security of Persons and Property:	113,040	82,472	106,750	-	-	-
Public Health Services	54	57	54	-	-	-
Leisure Time Activities	34,059	30,326	34,064	-	-	-
Basic Utilities	27,840	29,479	27,311	-	-	-
Transportation	24,774	34,368	61,320	-	-	-
Capital Outlay	51,216	170,616	366,036	-	-	-
Principal Retirement	87,637	56,142	57,687	-	-	-
Interest and Fiscal Charges	19,083	21,596	17,620	-	-	-
Water Operating	-	-	-	102,593	111,295	85,777
Sewer Operating	-	-	-	68,621	73,773	-
Electric Operating	-	-	-	961,854	970,855	954,871
Other Enterprise Funds	-	-	-	73,791	69,519	177,022
<b>Total Disbursements</b>	<b>568,772</b>	<b>599,219</b>	<b>841,811</b>	<b>1,206,859</b>	<b>1,225,442</b>	<b>1,217,670</b>
Excess (Deficiency) Before Transfers	99,017	115,243	(147,699)	(18,681)	(63,874)	(81,149)
Transfers	(30,370)	(31,148)	(32,989)	30,370	31,148	32,989
<b>Increase (Decrease) in Net Assets</b>	<b>68,647</b>	<b>84,095</b>	<b>(180,688)</b>	<b>11,689</b>	<b>(32,726)</b>	<b>(48,160)</b>
<i>Net Assets Beginning of Year</i>	<i>277,951</i>	<i>193,856</i>	<i>374,544</i>	<i>569,726</i>	<i>602,452</i>	<i>650,612</i>
<i>Net Assets End of Year</i>	<i>346,598</i>	<i>277,951</i>	<i>193,856</i>	<i>581,415</i>	<i>569,726</i>	<i>602,452</i>

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

Receipts:	Total		
Program Receipts:	2008	2007	2006
Charges for Services and Sales	1,223,396	1,206,627	1,186,659
Operating Grants and Contributions	43,089	50,543	42,129
Capital Grants and Contributions	39,913	61,234	75,992
<b>Total Program Receipts</b>	<b>1,306,398</b>	<b>1,318,404</b>	<b>1,304,780</b>
General Receipts:			
Property Taxes Levied for General Purposes	49,863	28,949	71,644
Other Local Taxes (KwH Excise Tax)	38,249	38,419	-
Income Taxes	297,555	278,926	285,219
Grants and Entitlements Not Restricted to Specific Programs	88,700	87,665	87,790
Other Financing Sources	3,750	8,836	-
Sale of Notes	-	55,022	25,032
Sale of Fixed Assets	5,343	4,550	1,100
Earnings on Investments	21,030	36,891	44,766
Miscellaneous	45,079	18,368	10,302
<b>Total General Receipts</b>	<b>549,569</b>	<b>557,626</b>	<b>525,853</b>
<b>Total Receipts</b>	<b>1,855,967</b>	<b>1,876,030</b>	<b>1,830,633</b>
Disbursements:			
General Government	211,069	174,163	170,969
Security of Persons and Property:	113,040	82,472	106,750
Public Health Services	54	57	54
Leisure Time Activities	34,059	30,326	34,064
Basic Utilities	27,840	29,479	27,311
Transportation	24,774	34,368	61,320
Capital Outlay	51,216	170,616	366,036
Principal Retirement	87,637	56,142	57,687
Interest and Fiscal Charges	19,083	21,596	17,620
Water Operating	102,593	111,295	85,777
Sewer Operating	68,621	73,773	-
Electric Operating	961,854	970,855	954,871
Other Enterprise Funds	73,791	69,519	177,022
<b>Total Disbursements</b>	<b>1,775,631</b>	<b>1,824,661</b>	<b>2,059,481</b>
Excess (Deficiency) Before Transfers	80,336	51,369	(228,848)
Transfers	-	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>80,336</b>	<b>51,369</b>	<b>(228,848)</b>
<i>Net Assets Beginning of Year</i>	<i>847,677</i>	<i>796,308</i>	<i>1,025,156</i>
<i>Net Assets End of Year</i>	<i>928,013</i>	<i>847,677</i>	<i>796,308</i>



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**Governmental Activities Receipts and Disbursements**

Program receipts represent only 22.5 percent and 23.1 percent of total receipts for governmental activities for 2008 and 2007, respectively, 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.

General receipts represent 77.5 percent and 76.9 percent of the Village's total receipts for 2008 and 2007, respectively, and of this amount, more than 57.5 percent and 50.7 percent for 2008 and 2007, respectively, are municipal income taxes. Other local taxes at 9.6 percent and 5.3 percent, and state and federal grants and entitlements at 17.1 percent and 15.9 percent make up the bulk of the Village's remaining general receipts for 2008 and 2007, respectively. Interest and other receipts are somewhat insignificant and rather unpredictable sources of revenue.

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; these costs represent more than 37 percent and 29 percent of governmental activities in 2008 and 2007, respectively.

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.

**Business Type Receipts**

Program receipts for the Village's Business Type Activities represent 97.3 and 99.3 percent of total revenue in 2008 and 2007, respectively.

**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 are for General Government, which account for 37.1 percent and 29.1 percent, and Security of Persons and Property, which account for 19.8 percent and 13.8 percent of all governmental disbursements for 2008 and 2007, respectively; debt service principal retirement represents 15.4 percent and 9.4 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 by the Village that must be used 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 ends up being 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  
Auglaize County  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2008 and 2007*  
*Unaudited*

	Total Cost Of Services 2008	Net Cost of Services 2008	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$ 211,069	\$ 211,069	\$ 174,163	\$ 174,163	\$ 170,969	\$ 169,295
Security of Persons and Property	113,040	63,301	82,472	26,862	106,750	39,865
Public Health Services	54	54	57	57	54	54
Leisure Time Activities	34,059	30,884	30,326	28,551	34,064	32,439
Community Environment	0	(180)	0	(260)	0	(280)
Basic Utilities	27,840	(10,014)	29,479	(7,074)	27,311	(9,092)
Transportation	24,774	(34,612)	34,368	(36,208)	61,320	(9,354)
Capital Outlay	51,216	51,216	170,616	170,616	366,036	366,036
Principal Retirement	87,637	88,088	56,142	56,142	57,687	57,687
Interest and Fiscal Charges	19,083	18,632	21,596	21,596	17,620	17,620
Other						
Total Expenses	<u>\$ 568,772</u>	<u>\$ 418,438</u>	<u>\$ 599,219</u>	<u>\$ 434,445</u>	<u>\$ 841,811</u>	<u>\$ 664,270</u>

The dependence upon property and income tax receipts is apparent as over 74 percent and 73 percent of governmental activities are supported through these general receipts in 2008 and 2007, respectively.

### The Village's Funds

#### **Governmental Funds**

Total governmental funds had receipts of \$667,789 and disbursements of \$568,772 in 2008. In 2007, total governmental funds had receipts of \$714,462 and disbursements of \$599,219. The balance of the General Fund increased \$55,810 and \$66,169 in 2008 and 2007, respectively, because of continued monitoring of general fund expenditures in anticipation of future capital improvements and costs for salaries and benefits for employees.

#### **Business-type Activities**

Businesses type activities of the Village saw an increase of 2.1 percent in net assets in 2008 and a 5.4 percent decrease in net assets in 2007. Expenditures in 2008 were down, as the purchase of the 2008 Ford cab and chassis, dump body, and digger truck are the only major capital purchases. In 2007, purchases that affected proprietary activities included the purchase of a new pickup truck, the final payment for property purchased from Manbeck Brothers in 2003, the purchase of electric reading transmitters, and installation and improvement of the Village's electrical distribution system.

### 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 both 2008 and 2007, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts exceeded original budgeted receipts in 2008 due to corrections needed for original revenue budget; specifically revenue had not been budgeted for payment by Washington Township for fire services.

Village of New Knoxville  
Auglaize County  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2008 and 2007*  
*Unaudited*

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**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2008, the Village's outstanding debt totaled \$1,302,141. Included in this debt are unpaid street assessments of \$42,845; Revenue Bonds for \$290,000 for the water system; Water System Assessments for \$175,000; Issue II loan for the Village Water System for \$183,196; Issue II loans for street projects totaling \$191,413; and debt incurred for capital projects totaling \$419,687.

At December 31, 2007, the Village's outstanding debt totaled \$1,430,043. Included in this debt are unpaid street assessments of \$52,117; Revenue Bonds for \$305,000 for the water system; Water System Assessments for \$185,000; Issue II loan for the Village Water System for \$198,462; Issue II loans for street projects totaling \$202,572; and debt incurred for capital projects totaling \$486,992.

For further information regarding the Village's debt, refer to Notes 10 to the basic financial statement.

**Current Issues**

The widespread economic status/crisis is causing businesses, governments, and individuals nationwide to exercise caution regarding finances. As stewards of taxpayer money, the Village of New Knoxville is committed to maintaining fiscally responsible practices regardless of the state of the economy. In light of the current economic situation, however, the Village has intensified efforts in budgeting conservatively, as the Village attempts to prepare for the possible decline of revenue, largely due to anticipated loss of income tax and the Village share of local government money because of declines in the state general fund. For 2009, the Village of New Knoxville is attempting to redefine fiscal responsibility based on the current economic status and to ensure strict adherence to budgets. Village departments will delay non-essential expenditures when possible, while monitoring the economy over the course of first and second quarter.

Village residents approved a two-mill levy for fire protection in May of 2008. Levy money is reducing the burden on the general fund to provide fire and first responder services that are essential to the safety and security of residents.

Efforts to reverse the deficit spending situation in the enterprise funds have been somewhat successful. Net assets of the electric fund have dropped dramatically over the past several years due to deficit spending of \$305,073 in 2005, \$45,500 in 2006, \$44,132 in 2007; and \$11,767 in 2008. Although this shows a favorable trend, Village administration and officials continue review of the electric revenue and expenditure budgets in an effort to reverse the deficit completely before reserves are depleted. While a professional rate study might be advantageous to determine Village needs, at approximately \$15,000 the cost is currently prohibitive. However, Mayor Leffel, the Finance Committee, Administrator Eschmeyer, and Fiscal Officer Hall agree the funds should be spent now to ensure the future health of the fund. In addition, strict monitoring of expenditures is the goal as the fund is being closely scrutinized.

Net assets for the water fund have also declined due to deficit spending since 2006. In 2008, expenditures in the water fund exceeded revenue by \$14,335 compared to \$25,385 in 2007. Although this also shows a favorable trend, any deficit spending is unacceptable, and for the water fund, it is alarming, as cash reserves are practically non-existent. This situation requires immediate resolution. Sewer fund net assets increased \$38,167 in 2008.

Village of New Knoxville  
Auglaize County  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2008 and 2007*  
*Unaudited*

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Rural Community Assistance Program (RCAP) provides services, including rate studies, for rural communities such as New Knoxville at no cost. The Village recently submitted information to RCAP, including records of Village water and sewer operating and capital expenses, history, and projections, as well as current capital assets. RCAP will use this information to conduct rate analyses of Village water and sewer funds to evaluate the current rate structure and to recommend any needed adjustments.

**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.

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.

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.

**Village of New Knoxville**  
**Auglaize County**  
*Statement of Net Assets - Cash Basis*  
*For the Year Ended December 31, 2008*

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	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 346,598	\$ 581,415	\$ 928,013
<i>Total Assets</i>	<u>\$ 346,598</u>	<u>\$ 581,415</u>	<u>\$ 928,013</u>
 <b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 2,005	\$ 0	\$ 2,005
Debt Services	8,499	9,176	17,675
Other Purposes	112,372	0	112,372
Unrestricted	<u>223,722</u>	<u>572,239</u>	<u>795,961</u>
<i>Total Net Assets</i>	<u>\$ 346,598</u>	<u>\$ 581,415</u>	<u>\$ 928,013</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, 2008

	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	\$ 113,040	\$ 41,337	\$ 1,820	\$ 6,582	\$ (63,301)	\$ 0	\$ (63,301)
Public Health Services	54	0	0	0	(54)	0	(54)
Leisure Time Activities	34,059	2,175	0	1,000	(30,884)	0	(30,884)
Community Environment	0	180	0	0	180	0	180
Basic Utility Services	27,840	37,854	0	0	10,014	0	10,014
Transportation	24,774	6,631	41,269	11,486	34,612	0	34,612
General Government	211,069	0	0	0	(211,069)	0	(211,069)
Capital Outlay	51,216	0	0	0	(51,216)	0	(51,216)
Debt Service:							
Principal	87,637	0	0	0	(87,637)	0	(87,637)
Interest	19,083	0	0	0	(19,083)	0	(19,083)
<b>Total Governmental Activities</b>	<b>\$ 568,772</b>	<b>\$ 88,177</b>	<b>\$ 43,089</b>	<b>\$ 19,068</b>	<b>\$ (418,438)</b>	<b>\$ 0</b>	<b>\$ (418,438)</b>
<b>Business Type Activities</b>							
Sewer Operating	\$ 68,621	\$ 106,408	\$ 0	\$ 0	\$ 0	\$ 37,787	\$ 37,787
Electric Operating	961,854	919,990	0	0	0	(41,864)	(41,864)
Enterprise Reserve	0	0	0	0	0	0	0
Other Enterprise Funds	176,384	108,821	0	20,845	0	(46,718)	(46,718)
<b>Total Business Type Activities</b>	<b>1,206,859</b>	<b>1,135,219</b>	<b>0</b>	<b>20,845</b>	<b>0</b>	<b>(50,795)</b>	<b>(50,795)</b>
<b>Total Primary Government</b>	<b>\$ 1,775,631</b>	<b>\$ 1,223,396</b>	<b>\$ 43,089</b>	<b>\$ 39,913</b>	<b>\$ (418,438)</b>	<b>\$ (50,795)</b>	<b>\$ (469,233)</b>
<b>General Receipts</b>							
Property Taxes					\$ 49,863	\$ 0	\$ 49,863
Municipal Income Taxes					297,555	0	297,555
Other Taxes					36,048	2,201	38,249
Grant and Entitlements not Restricted to Specific Programs					88,700	0	88,700
Other Financing Sources					3,750	0	3,750
Sale of Fixed Assets					2,232	3,111	5,343
Earnings on Investments					20,346	684	21,030
Miscellaneous					18,961	26,118	45,079
<b>Total General Receipts</b>					<b>517,455</b>	<b>32,114</b>	<b>549,569</b>
Transfers					(30,370)	30,370	0
<b>Total General Receipts and Transfers</b>					<b>487,085</b>	<b>62,484</b>	<b>549,569</b>
Change in Net Assets					68,647	11,689	80,336
Net Assets Beginning of Year					277,951	569,726	847,677
Net Assets End of Year					<b>\$ 346,598</b>	<b>\$ 581,415</b>	<b>\$ 928,013</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, 2008*

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	General	Street Construction, Maint., & Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 223,722	\$ 60,594	\$ 62,282	\$ 346,598
<i>Total Assets</i>	<u>\$ 223,722</u>	<u>\$ 60,594</u>	<u>\$ 62,282</u>	<u>\$ 346,598</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 2,694	\$ 217	\$ 32	\$ 2,943
Unreserved, Undesignated, Reported in:				
General Fund	221,028	0	0	221,028
Special Revenue Funds	0	60,377	51,746	112,123
Debt Service Fund	0	0	8,499	8,499
Capital Projects Fund	0	0	2,005	2,005
<i>Total Fund Balances</i>	<u>\$ 223,722</u>	<u>\$ 60,594</u>	<u>\$ 62,282</u>	<u>\$ 346,598</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, 2008*

	General	Street Construction Maint., & Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 64,166	\$ 0	\$ 28,376	\$ 92,542
Municipal Income Tax	297,555	0	0	297,555
Intergovernmental	85,761	37,261	14,850	137,872
Special Assessments	0	0	11,486	11,486
Charges for Services	70,438	0	7,620	78,058
Fines, Licenses and Permits	3,487	0	0	3,487
Earnings on Investments	16,122	2,803	1,421	20,346
Miscellaneous	9,865	417	10,179	20,461
<i>Total Receipts</i>	<u>\$ 547,394</u>	<u>\$ 40,481</u>	<u>\$ 73,932</u>	<u>\$ 661,807</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 76,345	\$ 417	\$ 36,278	\$ 113,040
Public Health Services	54	0	0	54
Leisure Time Activities	34,059	0	0	34,059
Basic Utility Services	27,840	0	0	27,840
Transportation	0	24,774	0	24,774
General Government	211,040	0	29	211,069
Capital Outlay	28,008	23,208	0	51,216
Debt Service:				
Principal Retirement	12,716	0	74,921	87,637
Interest and Fiscal Charges	945	0	18,138	19,083
<i>Total Disbursements</i>	<u>\$ 391,007</u>	<u>\$ 48,399</u>	<u>\$ 129,366</u>	<u>\$ 568,772</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	156,387	(7,918)	(55,434)	93,035
Other Financing Sources (Uses):				
Sale of Notes	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Fixed Assets	2,232	0	0	2,232
Other Financing Sources	0	0	3,750	3,750
Transfers In	0	0	72,439	72,439
Transfers Out	(102,809)	0	0	(102,809)
Advances In	16,250	0	16,250	32,500
Advances Out	(16,250)	0	(16,250)	(32,500)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (100,577)</u>	<u>\$ 0</u>	<u>\$ 76,189</u>	<u>\$ (24,388)</u>
<i>Net Change in Fund Balances</i>	55,810	(7,918)	20,755	68,647
<i>Fund Balances Beginning of Year</i>	<u>167,912</u>	<u>68,512</u>	<u>41,527</u>	<u>277,951</u>
<i>Fund Balances End of Year</i>	<u><u>\$ 223,722</u></u>	<u><u>\$ 60,594</u></u>	<u><u>\$ 62,282</u></u>	<u><u>\$ 346,598</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, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 65,398	\$ 62,098	\$ 64,166	\$ 2,068
Municipal Income Taxes	274,000	274,000	297,555	23,555
Intergovernmental	68,341	71,341	117,845	46,504
Charges and Services	37,400	61,000	38,354	(22,646)
Fines, Licenses and Permits	3,995	2,645	3,487	842
Earnings on Investment	7,000	7,000	16,122	9,122
Miscellaneous	4,000	4,915	9,865	4,950
<i>Total receipts</i>	<u>\$ 460,134</u>	<u>\$ 482,999</u>	<u>\$ 547,394</u>	<u>\$ 64,395</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 60,861	\$ 82,185	\$ 76,345	\$ 5,840
Public Health Services	60	60	54	6
Leisure Time Activities	58,940	42,440	34,059	8,381
Basic Utility Services	30,000	30,000	27,840	2,160
General Government	209,209	231,408	213,734	17,674
Capital Outlay	38,100	117,246	28,008	89,238
Debt Service:				
Principal Retirement	12,716	12,716	12,716	0
Interest and Fiscal Charges	945	945	945	0
<i>Total Disbursements</i>	<u>\$ 410,831</u>	<u>\$ 517,000</u>	<u>\$ 393,701</u>	<u>\$ 123,299</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>49,303</u>	<u>(34,001)</u>	<u>153,693</u>	<u>187,694</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	\$ 0	\$ 832	\$ 2,232	\$ (1,400)
Transfers Out	(94,839)	(133,019)	(102,809)	(30,210)
Advances In	0	0	16,250	(16,250)
AdvancesOut	0	0	(16,250)	16,250
<i>Total Other Financing Sources (Uses)</i>	<u>(94,839)</u>	<u>(132,187)</u>	<u>(100,577)</u>	<u>(31,610)</u>
<i>Net Change in Fund Balance</i>	(45,536)	(166,188)	53,116	156,084
<i>Fund Balance Beginning of Year</i>	156,752	156,752	156,752	(156,752)
<i>Prior Year Encumbrances Appropriated</i>	<u>11,160</u>	<u>11,160</u>	<u>11,160</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 122,376</u>	<u>\$ 1,724</u>	<u>\$ 221,028</u>	<u>\$ (668)</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, 2008*

	<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	\$ 37,261	\$ 1,761
Earnings on Investment	1,000	1,000	2,803	1,803
Miscellaneous	<u>0</u>	<u>0</u>	<u>417</u>	<u>417</u>
<i>Total receipts</i>	<u>\$ 36,500</u>	<u>\$ 36,500</u>	<u>\$ 40,481</u>	<u>\$ 3,981</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 0	\$ 500	\$ 417	\$ 83
Transportation	55,041	54,541	24,991	29,550
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>23,208</u>	<u>1,792</u>
<i>Total Disbursements</i>	<u>\$ 80,041</u>	<u>\$ 80,041</u>	<u>\$ 48,616</u>	<u>\$ 31,425</u>
<i>Net Change in Fund Balance</i>	(43,541)	(43,541)	(8,135)	35,406
<i>Fund Balance Beginning of Year</i>	68,301	68,301	68,301	0
<i>Prior Year Encumbrances Appropriated</i>	<u>211</u>	<u>211</u>	<u>211</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 24,971</u>	<u>\$ 24,971</u>	<u>\$ 60,377</u>	<u>\$ 35,406</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, 2008*

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	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Enterprise Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ <u>91,799</u>	\$ <u>126,287</u>	\$ <u>250,000</u>	\$ <u>113,329</u>	\$ <u>581,415</u>
<i>Total Assets</i>	<u>\$ 91,799</u>	<u>\$ 126,287</u>	<u>\$ 250,000</u>	<u>\$ 113,329</u>	<u>\$ 581,415</u>
<b>Net Assets:</b>					
Restricted for:					
Debt Service	\$ 0	\$ 0	\$ 0	\$ 9,177	\$ 9,177
Unrestricted	<u>91,799</u>	<u>126,287</u>	<u>250,000</u>	<u>104,152</u>	<u>572,238</u>
<i>Total Net Assets</i>	<u>\$ 91,799</u>	<u>\$ 126,287</u>	<u>\$ 250,000</u>	<u>\$ 113,329</u>	<u>\$ 581,415</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, 2008*

	Sewer Operating	Electric Operating	Enterprise Reserve	Other Enterprise Funds	Total Enterprise Funds
<b>Operating Receipts</b>					
Charges for Services	\$ 106,408	\$ 919,990	\$ 0	\$ 108,821	\$ 1,135,219
Other Operating Receipts	380	14,831	0	530	15,741
<i>Total Operating Receipts</i>	<u>\$ 106,788</u>	<u>\$ 934,821</u>	<u>\$ 0</u>	<u>\$ 109,351</u>	<u>\$ 1,150,960</u>
<b>Operating Disbursements</b>					
Personal Services	\$ 23,855	\$ 120,034	\$ 0	\$ 32,361	\$ 176,250
Employee Fringe Benefits	7,751	47,742	0	15,102	70,595
Contractual Services	15,994	718,963	0	31,702	766,659
Supplies and Materials	9,098	12,790	0	16,316	38,204
Other	0	2,203	0	5,850	8,053
<i>Total Operating Disbursements</i>	<u>\$ 56,698</u>	<u>\$ 901,732</u>	<u>\$ 0</u>	<u>\$ 101,331</u>	<u>\$ 1,059,761</u>
<i>Operating Income (Loss)</i>	<u>50,090</u>	<u>33,089</u>	<u>0</u>	<u>8,020</u>	<u>91,199</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Property and Other Local Taxes	\$ 0	\$ 2,201	\$ 0	\$ 0	\$ 2,201
Special Assessments	0	0	0	20,845	20,845
Earnings on Investments	0	0	0	684	684
Miscellaneous Receipts	0	9,954	0	423	10,377
Capital Outlay	(11,923)	(60,122)	0	(7,111)	(79,156)
Sale of Fixed Assets	0	3,111	0	0	3,111
Debt Service:					
Principal Payments	0	0	0	(40,266)	(40,266)
Interest and Fiscal Charges	0	0	0	(27,676)	(27,676)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,923)</u>	<u>(44,856)</u>	<u>0</u>	<u>(53,101)</u>	<u>(109,880)</u>
<i>Income (Loss) before Transfers</i>	38,167	(11,767)	0	(45,081)	(18,681)
<i>Transfers In</i>	0	0	0	46,376	46,376
<i>Transfers Out</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(16,006)</u>	<u>(16,006)</u>
<i>Change in Net Assets</i>	38,167	(11,767)	0	(14,711)	11,689
<i>Net Assets Beginning of Year</i>	<u>53,632</u>	<u>138,054</u>	<u>250,000</u>	<u>128,040</u>	<u>569,726</u>
<i>Net Assets End of Year</i>	<u>\$ 91,799</u>	<u>\$ 126,287</u>	<u>\$ 250,000</u>	<u>\$ 113,329</u>	<u>\$ 581,415</u>

See accompanying notes to the basic financial statements

**Village of New Knoxville**  
**Auglaize County**  
*Statement of Net Assets - Cash Basis*  
*For the Year Ended December 31, 2007*

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	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 277,951	\$ 569,726	\$ 847,677
<i>Total Assets</i>	<u>\$ 277,951</u>	<u>\$ 569,726</u>	<u>\$ 847,677</u>
 <b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 2,005	\$ 0	\$ 2,005
Debt Services	6,440	9,735	16,175
Other Purposes	101,594	0	101,594
Unrestricted	<u>167,912</u>	<u>559,991</u>	<u>727,903</u>
<i>Total Net Assets</i>	<u>\$ 277,951</u>	<u>\$ 569,726</u>	<u>\$ 847,677</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, 2007

	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	\$ 82,472	\$ 27,851	\$ 0	\$ 27,759	\$ (26,862)	\$ 0	\$ (26,862)
Public Health Services	57	0	0	0	(57)	0	(57)
Leisure Time Activities	30,326	1,775	0	0	(28,551)	0	(28,551)
Community Environment	0	260	0	0	260	0	260
Basic Utility Services	29,479	36,553	0	0	7,074	0	7,074
Transportation	34,368	6,676	50,543	13,357	36,208	0	36,208
General Government	174,163	0	0	0	(174,163)	0	(174,163)
Capital Outlay	170,616	0	0	0	(170,616)	0	(170,616)
Debt Service:							
Principal	56,142	0	0	0	(56,142)	0	(56,142)
Interest	21,596	0	0	0	(21,596)	0	(21,596)
<b>Total Governmental Activities</b>	<b>\$ 599,219</b>	<b>\$ 73,115</b>	<b>\$ 50,543</b>	<b>\$ 41,116</b>	<b>\$ (434,445)</b>	<b>\$ 0</b>	<b>\$ (434,445)</b>
<b>Business Type Activities</b>							
Water Operating	\$ 111,295	\$ 100,528	\$ 0	\$ 0	\$ 0	\$ (10,767)	\$ (10,767)
Electric Operating	970,855	922,114	0	0	0	(48,741)	(48,741)
Other Enterprise	143,292	110,870	0	20,118	0	(12,304)	(12,304)
<b>Total Business Type Activities</b>	<b>1,225,442</b>	<b>1,133,512</b>	<b>0</b>	<b>20,118</b>	<b>0</b>	<b>(71,812)</b>	<b>(71,812)</b>
<b>Total Primary Government</b>	<b>\$ 1,824,661</b>	<b>\$ 1,206,627</b>	<b>\$ 50,543</b>	<b>\$ 61,234</b>	<b>\$ (434,445)</b>	<b>\$ (71,812)</b>	<b>\$ (506,257)</b>
<b>General Receipts</b>							
Property Taxes					\$ 28,949	\$ 0	\$ 28,949
Municipal Income Taxes					278,926	0	278,926
Other Taxes					36,171	2,248	38,419
Grant and Entitlements not Restricted to Specific Programs					87,665	0	87,665
Sale of Notes					55,022	0	55,022
Sale of Fixed Assets					4,550	0	4,550
Earnings on Investments					34,790	2,101	36,891
Other Financing Sources					8,836	0	8,836
Miscellaneous					14,779	3,589	18,368
<b>Total General Receipts</b>					<b>549,688</b>	<b>7,938</b>	<b>557,626</b>
Transfers					(31,148)	31,148	0
<b>Total General Receipts and Transfers</b>					<b>518,540</b>	<b>39,086</b>	<b>557,626</b>
Change in Net Assets					84,095	(32,726)	51,369
Net Assets Beginning of Year					193,856	602,452	796,308
Net Assets End of Year					<b>\$ 277,951</b>	<b>\$ 569,726</b>	<b>\$ 847,677</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, 2007*

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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	\$ 167,912	\$ 68,512	\$ 41,527	\$ 277,951
<i>Total Assets</i>	<u>\$ 167,912</u>	<u>\$ 68,512</u>	<u>\$ 41,527</u>	<u>\$ 277,951</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 11,160	\$ 211	\$ 0	\$ 11,371
Unreserved, Undesignated, Reported in:				
General Fund	156,752	0	0	156,752
Special Revenue Funds	0	68,301	33,082	101,383
Debt Service Fund	0	0	6,440	6,440
Capital Projects Fund	0	0	2,005	2,005
<i>Total Fund Balances</i>	<u>\$ 167,912</u>	<u>\$ 68,512</u>	<u>\$ 41,527</u>	<u>\$ 277,951</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, 2007*

	General	Street Construction Maint., & Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 65,120	\$ 0	\$ 6,676	\$ 71,796
Municipal Income Tax	278,926	0	0	278,926
Intergovernmental	87,665	38,614	39,688	165,967
Special Assessments	0	0	13,357	13,357
Charges for Services	63,243	0	0	63,243
Fines, Licenses and Permits	3,196	0	0	3,196
Earnings on Investments	29,490	3,352	1,948	34,790
Miscellaneous	12,440	657	1,682	14,779
<i>Total Receipts</i>	<u>\$ 540,080</u>	<u>\$ 42,623</u>	<u>\$ 63,351</u>	<u>\$ 646,054</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 81,485	\$ 657	\$ 330	\$ 82,472
Public Health Services	57	0	0	57
Leisure Time Activities	30,326	0	0	30,326
Basic Utility Services	29,479	0	0	29,479
Transportation	0	28,233	6,135	34,368
General Government	174,163	0	0	174,163
Capital Outlay	59,733	6,114	104,769	170,616
Debt Service:				
Principal Retirement	12,264	0	43,878	56,142
Interest and Fiscal Charges	1,397	0	20,199	21,596
<i>Total Disbursements</i>	<u>\$ 388,904</u>	<u>\$ 35,004</u>	<u>\$ 175,311</u>	<u>\$ 599,219</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	151,176	7,619	(111,960)	46,835
Other Financing Sources (Uses):				
Sale of Notes	\$ 0	\$ 0	\$ 55,022	\$ 55,022
Sale of Fixed Assets	4,550	0	0	4,550
Other Financing Sources	0	0	8,836	8,836
Transfers In	776	10,000	49,185	59,961
Transfers Out	(90,333)	0	(776)	(91,109)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (85,007)</u>	<u>\$ 10,000</u>	<u>\$ 112,267</u>	<u>\$ 37,260</u>
<i>Net Change in Fund Balances</i>	66,169	17,619	307	84,095
<i>Fund Balances Beginning of Year</i>	<u>101,743</u>	<u>50,893</u>	<u>41,220</u>	<u>193,856</u>
<i>Fund Balances End of Year</i>	<u><u>\$ 167,912</u></u>	<u><u>\$ 68,512</u></u>	<u><u>\$ 41,527</u></u>	<u><u>\$ 277,951</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, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 63,586	\$ 63,586	\$ 65,120	\$ 1,534
Municipal Income Taxes	270,000	270,000	278,926	8,926
Intergovernmental	88,103	88,103	113,755	25,652
Charges and Services	56,600	56,600	37,153	(19,447)
Fines, Licenses and Permits	3,925	3,925	3,196	(729)
Earnings on Investment	10,000	10,000	29,490	19,490
Miscellaneous	5,000	5,000	12,440	7,440
<i>Total receipts</i>	<u>\$ 497,214</u>	<u>\$ 497,214</u>	<u>\$ 540,080</u>	<u>\$ 42,866</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 86,988	\$ 91,488	\$ 81,485	\$ 10,003
Public Health Services	65	65	57	8
Leisure Time Activities	41,137	41,137	30,326	10,811
Basic Utility Services	30,000	30,000	29,479	521
General Government	232,342	232,342	185,323	47,019
Capital Outlay	56,680	75,531	59,733	15,798
Debt Service:				
Principal Retirement	12,264	12,264	12,264	0
Interest and Fiscal Charges	1,397	1,397	1,397	0
<i>Total Disbursements</i>	<u>\$ 460,873</u>	<u>\$ 484,224</u>	<u>\$ 400,064</u>	<u>\$ 84,160</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>36,341</u>	<u>12,990</u>	<u>140,016</u>	<u>127,026</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	\$ 0	\$ 0	\$ 4,550	\$ (4,550)
Transfers In	0	0	776	(776)
Transfers Out	(84,185)	(90,333)	(90,333)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(84,185)</u>	<u>(90,333)</u>	<u>(85,007)</u>	<u>(5,326)</u>
<i>Net Change in Fund Balance</i>	(47,844)	(77,343)	55,009	121,700
<i>Fund Balance Beginning of Year</i>	100,267	100,267	100,267	(100,267)
<i>Prior Year Encumbrances Appropriated</i>	1,476	1,476	1,476	0
<i>Fund Balance End of Year</i>	<u>\$ 53,899</u>	<u>\$ 24,400</u>	<u>\$ 156,752</u>	<u>\$ 21,433</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, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental	\$ 37,200	\$ 37,200	\$ 38,614	\$ 1,414
Earnings on Investment	650	650	3,352	2,702
Miscellaneous	0	0	657	657
<i>Total receipts</i>	<u>\$ 37,850</u>	<u>\$ 37,850</u>	<u>\$ 42,623</u>	<u>\$ 4,773</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 0	\$ 700	\$ 657	\$ 43
Transportation	68,495	67,795	28,444	39,351
Capital Outlay	30,000	30,000	6,114	23,886
<i>Total Disbursements</i>	<u>\$ 98,495</u>	<u>\$ 98,495</u>	<u>\$ 35,215</u>	<u>\$ 63,280</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(60,645)	(60,645)	7,408	68,053
<b>Other Financing Sources (Uses)</b>				
Transfers In	\$ 10,000	\$ 10,000	\$ 18,798	\$ 8,798
<i>Total Other Financing Sources (Uses)</i>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>8,798</u>
<i>Net Change in Fund Balance</i>	(50,645)	(50,645)	17,408	76,851
<i>Fund Balance Beginning of Year</i>	50,667	50,667	50,667	0
<i>Prior Year Encumbrances Appropriated</i>	<u>227</u>	<u>227</u>	<u>227</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 249</u></u>	<u><u>\$ 249</u></u>	<u><u>\$ 68,302</u></u>	<u><u>\$ 76,851</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, 2007*

	<u>Water Operating</u>	<u>Electric Operating</u>	<u>Enterprise Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ <u>65,277</u>	\$ <u>138,054</u>	\$ <u>250,000</u>	\$ <u>116,395</u>	\$ <u>569,726</u>
<i>Total Assets</i>	<u>\$ 65,277</u>	<u>\$ 138,054</u>	<u>\$ 250,000</u>	<u>\$ 116,395</u>	<u>\$ 569,726</u>
<b>Net Assets:</b>					
Restricted for:					
Debt Service	\$ 0	\$ 0	\$ 0	\$ 9,735	\$ 9,735
Unrestricted	<u>65,277</u>	<u>138,054</u>	<u>250,000</u>	<u>106,660</u>	<u>559,991</u>
<i>Total Net Assets</i>	<u>\$ 65,277</u>	<u>\$ 138,054</u>	<u>\$ 250,000</u>	<u>\$ 116,395</u>	<u>\$ 569,726</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, 2007*

	Water Operating	Electric Operating	Enterprise Reserve	Other Enterprise Funds	Total Enterprise Funds
<b>Operating Receipts</b>					
Charges for Services	\$ 100,528	\$ 922,114	\$ 0	\$ 110,870	\$ 1,133,512
Other Operating Receipts	648	2,361	0	367	3,376
<i>Total Operating Receipts</i>	<u>\$ 101,176</u>	<u>\$ 924,475</u>	<u>\$ 0</u>	<u>\$ 111,237</u>	<u>\$ 1,136,888</u>
<b>Operating Disbursements</b>					
Personal Services	\$ 34,567	\$ 125,266	\$ 0	\$ 19,634	\$ 179,467
Employee Fringe Benefits	14,135	42,078	0	7,302	63,515
Contractual Services	24,284	709,575	0	17,021	750,880
Supplies and Materials	24,252	14,302	0	5,315	43,869
Other	0	2,249	0	6,431	8,680
<i>Total Operating Disbursements</i>	<u>\$ 97,238</u>	<u>\$ 893,470</u>	<u>\$ 0</u>	<u>\$ 55,703</u>	<u>\$ 1,046,411</u>
<i>Operating Income (Loss)</i>	<u>3,938</u>	<u>31,005</u>	<u>0</u>	<u>55,534</u>	<u>90,477</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Property and Other Local Taxes	\$ 0	\$ 2,248	\$ 0	\$ 0	\$ 2,248
Special Assessments	0	0	0	20,118	20,118
Earnings on Investments	0	0	0	2,101	2,101
Miscellaneous Receipts	0	0	0	213	213
Capital Outlay	(14,057)	(77,385)	0	(18,378)	(109,820)
Debt Service:					
Principal Payments	0	0	0	(40,266)	(40,266)
Interest and Fiscal Charges	0	0	0	(28,945)	(28,945)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(14,057)</u>	<u>(75,137)</u>	<u>0</u>	<u>(65,157)</u>	<u>(154,351)</u>
<i>Income (Loss) before Transfers</i>	(10,119)	(44,132)	0	(9,623)	(63,874)
<i>Transfers In</i>	0	0	0	48,022	48,022
<i>Transfers Out</i>	(15,266)	0	0	(1,608)	(16,874)
<i>Change in Net Assets</i>	(25,385)	(44,132)	0	36,791	(32,726)
<i>Net Assets Beginning of Year</i>	<u>90,662</u>	<u>182,186</u>	<u>250,000</u>	<u>79,604</u>	<u>602,452</u>
<i>Net Assets End of Year</i>	<u>\$ 65,277</u>	<u>\$ 138,054</u>	<u>\$ 250,000</u>	<u>\$ 116,395</u>	<u>\$ 569,726</u>

See accompanying notes to the basic financial statements

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Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2008 and 2007*

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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, 2008 and 2007*

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

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

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.

**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.

*Village of New Knoxville*  
*Auglaize County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2008 and 2007*

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

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

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.

**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 2008 and 2007 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.



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

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

**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 2008 were the electric, enterprise reserve, and sewer funds and for 2007, the electric, enterprise reserve, and water funds.

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

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

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

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

**Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, 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 only fiduciary fund was Mayors Court Fund. At December 31, 2008 and 2007 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.

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The 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 in 2008 and 2007, the Village submitted the financial data they required in order to assess the need. The certificate of estimated resources establishes a limit on the amount the 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 appropriations 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.

**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 2008 and 2007, 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, 2008 and 2007.

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, 2008 and 2007.

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

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 2008 and 2007 were \$16,222 and \$29,490, 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, 2008 or 2007.

**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.

**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**

The Village recognizes the cash disbursement for their employer contributions to cost sharing pension plans when they are paid. As described in 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.

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

**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.

**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 2008 and 2007, 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 \$2,694 and \$11,160 for the general fund and \$217 and \$211 for the street fund, for 2008 and 2007, 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.

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

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;
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, 2008, the carrying amount of the Village's deposits was \$323,617, and the bank balance was \$365,172. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" \$114,766 was exposed to custodial risk as discussed below, while \$250,406 was covered by federal depository Insurance Corporation. At year-ended December 31, 2007, the carrying amount of the Village's deposits was \$255,921, and the bank balance was \$266,870. Of the bank balance \$155,571 was exposed to custodial risk as discussed below, while \$100,350 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

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

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.

Investments

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

	2008 Carrying Value	2007 Carrying Value	Maturity
5/3 US Treasury MM Fund	\$ 8,594	\$ 9,736	04/30/2020
5/3 US Treasury MM Fund	35,055	35,271	10/07/2020
STAR Ohio	560,547	546,549	Average
Total Portfolio	\$604,196	\$591,556	

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.”

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

**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.

**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>2008</u>	<u>2007</u>
Investment (summarized above)	\$ 604,196	\$ 591,556
Carrying amount of Village's deposits	323,617	255,921
Petty Cash	<u>200</u>	<u>200</u>
Pooled Cash and Investments – Statement of Net Assets	<u>\$ 928,013</u>	<u>\$ 847,677</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 2008 and 2007 were \$297,555 and \$278,926, 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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007 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 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007 on the true value as of December 31, 2007. 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**

The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property:	2008	2007
Agricultural/Residential	\$10,909,820	\$10,462,255
Commercial/Industrial	2,023,360	2,018,370
Public Utilities Real	60,460	66,560
Total Assessed Value	\$12,993,640	\$12,547,185

The full tax rate for all Village operations for the years ended December 31, 2008 and 2007, was \$4.40 per \$1,000 of assessed value.

**Note 7 – Risk Management**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

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 the Plan retains the lesser of 15 percent or \$37,500 of casualty losses and the lesser of 10 percent or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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 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, 2007 and 2006 (the latest information available):

	2007	2006
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members Equity	\$ 6,862,902	\$ 6,290,528



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

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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).

The Village contracted for various types of insurance coverage through the Ohio Plan as follows:

Type of Coverage	Amount of Coverage
Commercial Property	\$4,437,735
General Liability	\$1,000,000/\$3,000,000ag
Commercial Crime	\$1,000 - \$5,000
Inland marine	\$363,191
Vehicle	\$1,000,000
Errors and Omissions	\$1,000,000
Public Officials	\$1,000,000
Fidelity and Deposit	\$5,000/\$35,000ag

The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**Note 8 – Defined Benefit Pension Plans**

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to established 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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**Note 8 – Defined Benefit Pension Plans, continued**

**Ohio Public Employees Retirement System**

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008 and 2007, member and contribution rates were consistent across all three plans, law enforcement and public safety divisions exist only within the traditional plan. The 2008 and 2007, member contribution rates were 10.0 and 9.5 percent, respectively, for members in State and local classifications. Public Safety and law enforcement members contributed 10.1 and 9.75 percent, respectively.

The Village's contribution rate for 2008 and 2007, was 14.0 percent and 13.85 percent, for 2008 and 2007, respectively, except for those plan members in law enforcement or public safety, for whom the Village contribution was 17.4 and 17.17, percent, respectively, of covered payroll.

The Village's required contributions for the year's pension obligations to the Tradition Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$23,331, \$24,248, and \$26,989, respectively; 100 percent has been contributed for 2008, 2007 and 2006.

**Note 9 – Post-employment Benefits**

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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 a defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other 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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.4 percent. 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 18.1percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

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**Note 9 – Post-employment Benefits**, (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the 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 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$23,331, \$16,202, and \$12,340 respectively; 100 percent has been contributed for 2008, 2007, and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and Employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Note 10 - Debt**

The Village's long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
<u>Governmental Activities</u>						
Industrial Park Note	3.600%	448,819	0	55,040	393,779	45,000
Fire Truck	3.698%	38,173	0	12,265	25,908	12,716
2006 OPWC Loan, South St. (Original Amount \$88,500.00)	0%	79,650	0	4,425	75,225	4,425
2003 OPWC Loan, Botkins/Angle St. (Original Amount \$24,000.00)	0%	17,400	0	1,200	16,200	1,200
2001 OPWC Loan, Mill St. (Original Amount \$72,000.00)	0%	50,400	0	3,600	46,800	3,600
2008 OPWC Loan, Laura St. (Original Amount \$55,021.85)	0%	55,022	0	1,834	53,188	917
Street Assessment Notes	3.125- 5.75%	52,117	0	9,273	42,845	8,568
<b>Total Governmental Activities</b>		<b>\$741,581</b>	<b>0</b>	<b>\$87,637</b>	<b>\$653,945</b>	<b>\$76,426</b>
<u>Business-Type Activities</u>						
1999 Mortgage Revenue Bonds (Original Amount \$380,000)	4.7%	305,000	0	15,000	290,000	15,000
General Obligation Bonds, WW (Original Amount \$250,000)	4.9%	185,000	0	10,000	175,000	10,000
OPWC Water Works (Original Amount \$305,324.41)	0%	198,462	0	15,266	183,196	15,266
<b>Total Business-type Activities</b>		<b>\$688,462</b>	<b>0</b>	<b>\$40,266</b>	<b>\$648,196</b>	<b>\$40,266</b>

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**Note 10 – Debt,** (Continued)

The Village’s long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<b>Governmental Activities</b>						
Industrial Park Note	3.600%	475,000	0	26,181	448,819	55,040
Fire Truck	3.698%	50,009	0	11,836	38,173	12,265
2006 OPWC Loan, South St. (Original Amount \$88,500.00)	0%	84,075	0	4,425	79,650	4,425
2003 OPWC Loan, Botkins/Angle St. (Original Amount \$24,000.00)	0%	18,600	0	1,200	17,400	1,200
2001 OPWC Loan, Mill St. (Original Amount \$72,000.00)	0%	54,000	0	3,600	50,400	3,600
2008 OPWC Loan, Laura St. (Original Amount \$55,021.85)	0%	0	55,022	0	55,022	1,834
Street Assessment Notes	3.125- 5.75%	61,017	0	8,900	52,117	9,273
<b>Total Governmental Activities</b>		<b>\$742,701</b>	<b>\$55,022</b>	<b>\$56,142</b>	<b>\$741,581</b>	<b>\$87,637</b>
<b>Business-Type Activities</b>						
1999 Mortgage Revenue Bonds (Original Amount \$380,000)	4.7%	320,000	0	15,000	305,000	15,000
General Obligation Bonds, WW (Original Amount \$250,000)	4.9%	195,000	0	10,000	185,000	10,000
OPWC Water Works (Original Amount \$305,324.41)	0%	213,728	0	15,266	198,462	15,266
<b>Total Business-type Activities</b>		<b>\$728,728</b>	<b>0</b>	<b>\$40,266</b>	<b>\$688,462</b>	<b>\$40,266</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 matures on April 25, 2010. Principal and interest are payable in five annual payments of \$13,661 beginning on April 25, 2007.

**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.

Village of New Knoxville  
 Auglaize County  
*Notes to the Financial Statements*  
 For the Years Ended December 31, 2008 and 2007

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**Note 10 – Debt,** (Continued)

**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, 2008 was \$35,054.

**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 0 percent interest 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	OPWC Street Loans	Special Assessment Notes	Special Assessment Bonds	Mortgage Revenue Bonds	Other Notes	OPWC Water Works
2009	10,142	10,350	19,748	31,640	72,027	15,266
2010	11,059	10,104	19,226	30,852	70,419	15,266
2011	11,059	8,210	18,702	35,050	55,126	15,266
2012	11,059	8,002	23,173	33,960	49,658	15,266
2013	11,059	5,617	22,370	32,850	217,627	15,266
2014 – 2018	55,295	6,666	99,430	161,215	0	76,331
2019 – 2023	46,295	0	43,500	95,325	0	30,532
2024 – 2028	18,020	0	0	0	0	0
2029 – 2033	18,020	0	0	0	0	0
2034 – 2038	8,255	0	0	0	0	0
<b>Totals</b>	<b>\$191,413</b>	<b>\$48,949</b>	<b>\$246,149</b>	<b>\$420,892</b>	<b>\$464,857</b>	<b>\$183,196</b>

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, 2008, were an overall debt margin of \$938,309 and an unvoted debt margin of \$291,650.

Village of New Knoxville  
Notes to the Financial Statements  
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**Note 11– Interfund Transfers**

During 2008, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Major Governmental Fund	\$ 0
Other Governmental Funds	\$ 72,439
Other Enterprise Funds	\$ 30,370
<b>Total Transfers from the General Fund</b>	<b>\$102,809</b>
 <i>Transfers from Water Fund to:</i>	
Debt Service Fund for WW Note Retirement	\$ 15,266
 <i>Transfers from Debt Service Reserve Fund to:</i>	
Water Bond Fund, interest for debt payment	\$ 740

During 2007, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Major Governmental Fund	\$ 10,000
Other Governmental Funds	\$ 49,185
Other Enterprise Funds	\$ 31,148
<b>Total Transfers from the General Fund</b>	<b>\$ 90,333</b>
 <i>Transfers from Federal Grant – FEMA Fund to:</i>	
General Fund to Reimbursement	\$ 776
 <i>Transfers from Water Fund to:</i>	
Debt Service Fund for WW Note Retirement	\$15,266
 <i>Transfers from Debt Service Reserve Fund to:</i>	
Water Bond Fund, interest for debt payment	\$1,608

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) Annual transfer of \$15,266 from water fund to Debt Service Fund for repayment of debt.
- 2) Transfer of interest from Debt Service Reserve to Bond Payment fund.

**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.

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2008 and 2007*

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**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 Eschmeyer 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 Eschmeyer 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 non-profit 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, small 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. 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.

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).

Village of New Knoxville  
Auglaize County  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2008 and 2007*

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

- AMERICAN MUNICIPAL POWER

AMP-Ohio is the nonprofit corporation organized in Ohio in 1971 for the purpose of owning and operating electric facilities or otherwise providing for the generation, transmission, and distribution of electric power and energy to its members. Today, this purpose is served by coordinating, negotiating, and developing power-supply options and interconnection agreements. AMP-Ohio is also increasingly involved in design and maintenance projects for member electric systems. AMP-Ohio owns the Richard H. Gorsuch Generating Station, a 213-megawatt, coal-fired facility in Marietta, Ohio that provides power to 48 participating member communities.

AMP-Ohio purchases wholesale electric power and energy, and sells it to members at rates based on the purchase price and dispatch fees plus a small service fee. The organization also develops alternate power resources to best meet members' short- and long-term needs, and also operates an energy control center 24 hours a day, 365 days a year to serve its member communities. AMP-Ohio provides a wide range of other services on a cooperative, nonprofit basis for the mutual benefit of all member communities. (Detailed information on services provided to member communities is included in the annual services guide issue of Amplifier.)

The AMP-Ohio Board of Trustees consists of 16 communities; each designates its own representative to the board. Eight of these trustee communities are selected by their fellow public power communities in each of eight service areas of the organization. The other eight are elected at large. The officers of the corporation are: chairman of the board, vice chairman, secretary, treasurer, president and general counsel. The president and general counsel are appointed by the Board of Trustees and are ex officio members of the board.

Various Board of Trustees committees concentrate on vital functions of the organization. Current committees are: base load generation, board oversight, by-laws review, finance, generation/clean air, Gorsuch Station project, green power development, joint ventures oversight, legislative, member services, mutual aid, nominating, non-electric, personnel, policy, power supply & generation, scholarship, and transmission/RTO. In addition, there are subcommittees on accounting/finance, economic development, and safety.

As of January 2009, AMP-Ohio membership totals 126 which include 81 public power communities in Ohio, 28 in Pennsylvania, seven in Michigan, five in Virginia, two in West Virginia and 3 in Kentucky.

The Village participates in a number of programs offered by AMP-Ohio to member communities, designed to help improve the quality of Municipal Utility services to our customers including Economic Development, Natural Gas Aggregation, Member Service Area/Pools (Electric Aggregation), etc. Electric Aggregation allows a group, or pool, of member communities to combine utility usage providing greater bargaining power in an attempt to secure lower or more stable electric prices.



Village of New Knoxville  
Notes to the Financial Statements  
For the Year Ended December 31, 2008 and 2007

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**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, 2008 and 2007, 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.

**MANNING & ASSOCIATES CPAS, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

**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, 2008 and 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 22, 2009, 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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

### **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*.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 22, 2009.

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

May 22, 2009





**Mary Taylor, CPA**  
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  
JULY 28, 2009**