



Dave Yost • Auditor of State

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY

DECEMBER 31, 2016 AND 2015
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AUGLAIZE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of New Knoxville
Auglaize County
101 S Main St
PO Box 246
New Knoxville, Ohio 45871

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village of New Knoxville, Auglaize County, Ohio, as of December 31, 2016 and 2015, and the respective changes in cash financial position and where applicable cash flows and the respective budgetary comparison for the General and Street Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2018

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,360,297	\$1,532,065	\$2,892,362
Equity in Pooled Cash and Cash Equivalents in Segregated Accounts		43,335	43,335
Total Assets	<u>\$1,360,297</u>	<u>\$1,575,400</u>	<u>\$2,935,697</u>
Net Position:			
Restricted for:			
Capital Projects	\$35,908		\$35,908
Debt Service	32,340	\$44,239	76,579
Other Purposes	187,697		187,697
Unrestricted	1,104,352	1,531,161	2,635,513
Total Net Position	<u>\$1,360,297</u>	<u>\$1,575,400</u>	<u>\$2,935,697</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, 2016**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Current:				
Security of Persons and Property	\$122,201	\$45,817	\$960	\$1,313
Public Health Services	43			
Leisure Time Activities	26,209	1,550		
Community Environment		340		
Basic Utility Services	31,250	46,313		
Transportation	41,949	7,630	44,680	2,132
General Government	138,709	5,361		
Capital Outlay	77,295			
Debt Service:				
Principal Retirement	100,441			
Interest and Fiscal Charges	6,929			
Other				
Total Governmental Activities	<u>545,026</u>	<u>107,011</u>	<u>45,640</u>	<u>3,445</u>
Business Type Activities:				
Water Operating	129,685	163,780		
Sewer Operating	63,610	122,063		
Electric Operating	1,243,738	1,162,636		
WATER BOND-1999	34,440			
SPECIAL ASSESSMENT-water	19,895			20,799
Note Retirement-Issue II water	15,266			
Enterprise Security Deposit Fund	9,211	7,561		
Total Business Type Activities	<u>1,515,845</u>	<u>1,456,040</u>		<u>20,799</u>
Total Primary Government	<u>\$2,060,871</u>	<u>\$1,563,051</u>	<u>\$45,640</u>	<u>\$24,244</u>

General Receipts:

Property Taxes
Income Taxes
Other Local Taxes
Payments in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Sale of Bonds
Sale of Notes
Other Debt Proceeds
Premium and Accrued Interest on Debt
Discount on Debt
Sale of Capital Assets
Cable Franchise Fees
Earnings on Investments
Miscellaneous
Contributions to Permanent Fund
Special Item
Extraordinary Item
Transfers
Advances
Total General
Change in Net Position
Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements.

**Net (Disbursements) Receipts and Changes in
Net Assets**

Primary Government		
Governmental Activities	Business Type Activities	Total
(\$74,111)		(\$74,111)
(43)		(43)
(24,659)		(24,659)
340		340
15,063		15,063
12,493		12,493
(133,348)		(133,348)
(39,291)		(39,291)
(138,445)		(138,445)
(6,929)		(6,929)
<u>(388,930)</u>		<u>(388,930)</u>
	\$34,095	34,095
	58,453	58,453
	(81,102)	(81,102)
	(34,440)	(34,440)
	904	904
	(15,266)	(15,266)
	(1,650)	(1,650)
	<u>(39,006)</u>	<u>(39,006)</u>
<u>(388,930)</u>	<u>(39,006)</u>	<u>(427,936)</u>
48,488		48,488
410,964		410,964
35,267	8,986	44,253
52,830		52,830
5,087		5,087
9,267	39	9,306
19,297	5,223	24,520
(34,072)	34,072	
<u>547,128</u>	<u>48,320</u>	<u>595,448</u>
<u>158,198</u>	<u>9,314</u>	<u>167,512</u>
<u>1,202,099</u>	<u>1,566,086</u>	<u>2,768,185</u>
<u>\$1,360,297</u>	<u>\$1,575,400</u>	<u>\$2,935,697</u>

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>General</u>	<u>Street Construction Maintenance Rep.</u>	<u>Other Governmenta I Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,104,352	\$115,418	\$140,527	\$1,360,297
Total Assets	<u>\$1,104,352</u>	<u>\$115,418</u>	<u>\$140,527</u>	<u>\$1,360,297</u>
Fund Cash Balances, December 31:				
Non-spendable				
Restricted		\$115,418	\$140,527	\$255,945
Committed	\$1,133			1,133
Assigned	50,698			50,698
Unassigned	1,052,521			1,052,521
Fund Cash Balances, December 31	<u>\$1,104,352</u>	<u>\$115,418</u>	<u>\$140,527</u>	<u>\$1,360,297</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Street Construction Maintenance Rep.	Other Governmental Funds	Total Governmental Funds
Receipts:				
Municipal Income Taxes	\$410,964			\$410,964
Property Taxes	26,568		\$21,920	48,488
Other Local Taxes	35,267		7,630	42,897
Intergovernmental	53,790	\$41,329	4,664	99,783
Special Assessments			2,132	2,132
Charges for Services	84,498		7,632	92,130
Fines, Licenses and Permits	7,251			7,251
Earnings on Investments	8,679	411	177	9,267
Miscellaneous	10,561		6,830	17,391
Total Receipts	637,578	41,740	50,985	730,303
Disbursements:				
Current:				
Security of Persons and Property	93,687		28,514	122,201
Public Health Services	43			43
Leisure Time Activities	26,209			26,209
Basic Utility Services	31,250			31,250
Transportation		19,249	22,700	41,949
General Government	138,709			138,709
Capital Outlay	12,191	35,555	29,549	115,299
Debt Service:				
Principal Retirement			100,441	62,437
Interest and Fiscal Charges			6,929	6,929
Total Disbursements	302,089	54,804	188,133	545,026
Excess of Receipts Over (Under) Disbursements	335,489	(13,064)	(137,148)	185,277
Other Financing Sources (Uses):				
Sale of Capital Assets			5,087	5,087
Transfers In			57,000	57,000
Transfers Out	(91,072)			(91,072)
Other Financing Sources			1,906	1,906
Total Other Financing Sources (Uses)	(91,072)		63,993	(27,079)
Net Change in Fund Balances	244,417	(13,064)	(73,155)	158,198
Fund Balances Beginning of Year	859,935	128,482	213,682	1,202,099
Fund Balances End of Year	\$1,104,352	\$115,418	\$140,527	\$1,360,297

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, 2016**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Municipal Income Taxes	\$293,501	\$293,501	\$410,964	\$117,463
Property Taxes	30,520	30,520	26,568	(3,952)
Other Local Taxes	35,000	35,000	35,267	267
Intergovernmental	43,365	43,365	53,790	10,425
Charges for Services	94,000	94,001	84,498	(9,503)
Fines, Licenses and Permits	5,000	5,000	7,251	2,251
Earnings on Investments	3,500	3,500	8,679	5,179
Miscellaneous	6,000	6,000	10,561	4,561
Total Receipts	<u>510,886</u>	<u>510,887</u>	<u>637,578</u>	<u>126,691</u>
Disbursements:				
Current:				
Security of Persons and Property	113,745	113,746	95,946	17,800
Public Health Services	65	65	43	22
Leisure Time Activities	42,178	42,178	26,209	15,969
Basic Utility Services	37,500	37,500	31,366	6,134
General Government	203,293	202,293	143,974	58,319
Capital Outlay	25,700	26,700	12,191	14,509
Total Disbursements	<u>422,481</u>	<u>422,482</u>	<u>309,729</u>	<u>112,753</u>
Excess of Receipts Over (Under) Disbursements	<u>88,405</u>	<u>88,405</u>	<u>327,849</u>	<u>239,163</u>
Other Financing Sources (Uses):				
Transfers Out	(132,035)	(132,035)	(91,072)	40,963
Total Other Financing Sources (Uses)	<u>(132,035)</u>	<u>(132,035)</u>	<u>(91,072)</u>	<u>40,963</u>
Net Change in Fund Balance	(43,630)	(43,630)	236,777	280,126
Unencumbered Fund Balance Beginning of Year	858,793	858,793	858,793	
Prior Year Encumbrances Appropriated	1,142	1,142	1,142	
Unencumbered Balance End of Year	<u>\$816,305</u>	<u>\$816,305</u>	<u>\$1,096,712</u>	<u>\$280,126</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 FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$33,501	\$33,500	\$41,329	\$7,829
Earnings on Investments	260	260	411	151
Total Receipts	<u>33,761</u>	<u>33,760</u>	<u>41,740</u>	<u>7,980</u>
Disbursements:				
Current:				
Transportation	34,244	31,644	19,346	12,298
Capital Outlay	3,500	35,554	35,554	
Total Disbursements	<u>37,744</u>	<u>67,198</u>	<u>54,900</u>	<u>12,298</u>
Excess of Receipts Over (Under) Disbursements	<u>(3,983)</u>	<u>(33,438)</u>	<u>(13,160)</u>	<u>20,278</u>
Net Change in Fund Balance	(3,983)	(33,438)	(13,160)	20,278
Unencumbered Fund Balance Beginning of Year	128,458	128,458	128,458	
Prior Year Encumbrances Appropriated	24	24	24	
Unencumbered Balance End of Year	<u>\$124,499</u>	<u>\$95,044</u>	<u>\$115,322</u>	<u>\$20,278</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2016**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Electric Fund Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$197,920	\$266,444	\$516,311	\$334,000	\$217,390	\$1,532,065
Equity in Pooled Cash and Cash Equivalents in Segregated Accounts					43,335	43,335
Total Assets	<u>197,920</u>	<u>266,444</u>	<u>516,311</u>	<u>334,000</u>	<u>260,725</u>	<u>1,575,400</u>
Net Position:						
Restricted for:						
Debt Service					44,239	44,239
Unrestricted	197,920	266,444	516,311	334,000	216,486	1,531,161
Total Net Position	<u>\$197,920</u>	<u>\$266,444</u>	<u>\$516,311</u>	<u>\$334,000</u>	<u>\$260,725</u>	<u>\$1,575,400</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Electric Fund Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Receipts:						
Charges for Services	\$163,780	\$122,063	\$1,162,636		\$7,561	\$1,456,040
Total Operating Receipts	<u>163,780</u>	<u>122,063</u>	<u>1,162,636</u>		<u>7,561</u>	<u>1,456,040</u>
Operating Disbursements:						
Personal Services	49,272	33,860	96,998			180,130
Employee Fringe Benefits	22,478	8,545	31,977			63,000
Contractual Services	23,462	16,530	857,055			897,047
Supplies and Materials	34,323	4,525	12,594			51,442
Other			2,235		9,211	11,446
Total Operating Disbursements	<u>129,535</u>	<u>63,460</u>	<u>1,000,859</u>		<u>9,211</u>	<u>1,203,065</u>
Operating Income (Loss)	<u>34,245</u>	<u>58,603</u>	<u>161,777</u>		<u>(1,650)</u>	<u>252,975</u>
Non-Operating Receipts (Disbursements):						
Property and Other Local Taxes			8,986			8,986
Special Assessments					20,799	20,799
Earnings on Investments					39	39
Miscellaneous Receipts	956	100	4,168			5,224
Capital Outlay	(150)	(150)	(242,879)			(243,179)
Principal Retirement					(55,266)	(55,266)
Interest and Other Fiscal Charges					(14,335)	(14,335)
Total Non-Operating Receipts (Disbursements)	<u>806</u>	<u>(50)</u>	<u>(229,725)</u>		<u>(48,763)</u>	<u>(277,732)</u>
Income (Loss) before Capital Contributions, Transfers In	<u>35,051</u>	<u>58,553</u>	<u>(67,948)</u>		<u>(50,413)</u>	<u>(24,757)</u>
Transfers Out	<u>(15,266)</u>				<u>49,337</u>	<u>49,337</u>
Change in Net Position	19,785	58,553	(67,948)		(1,076)	9,314
Net Position Beginning of Year	178,135	207,891	584,259	334,000	261,801	1,566,086
Net Position End of Year	<u>\$197,920</u>	<u>\$266,444</u>	<u>\$516,311</u>	<u>\$334,000</u>	<u>\$260,725</u>	<u>\$1,575,400</u>

See accompanying notes to the basic financial statements.

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY

STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Electric Fund Service</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Increase (Decrease) in Cash and Cash Equivalents:						
Cash Flows from Operating Activities:						
Cash Received from Customers	\$163,780	\$122,063	\$1,162,636		\$7,561	\$1,456,040
Cash Payments to Employees for Services	(49,272)	(33,860)	(96,998)			(180,130)
Cash Payments for Employee Benefits	(22,478)	(8,545)	(31,977)			(63,000)
Cash Payments for Goods and Services	(57,785)	(21,055)	(869,649)			(948,489)
Other Cash Payments			(2,235)		(9,211)	(11,446)
Net Cash Provided by (Used in) Operating Activities	<u>34,245</u>	<u>58,603</u>	<u>161,777</u>		<u>(1,650)</u>	<u>252,975</u>
Cash Flows from Non-capital Financing Activities:						
Property Taxes (for noncapital purposes)			8,986			8,986
Other Cash Receipts	956	100	4,168			5,224
Transfers In					49,337	49,337
Transfers Out	(15,266)					(15,266)
Net Cash Provided by (Used in) Noncapital Financing	<u>(14,310)</u>	<u>100</u>	<u>13,154</u>		<u>49,337</u>	<u>48,281</u>
Cash Flows from Capital and Related Financing:						
Principal Paid on Debt					(55,266)	(55,266)
Interest Paid on Debt					(14,335)	(14,335)
Special Assessments (for capital purposes)					20,799	20,799
Payments for Capital Acquisitions	(150)	(150)	(242,879)			(243,179)
Net Cash Provided by (Used in) Capital and Related	<u>(150)</u>	<u>(150)</u>	<u>(242,879)</u>		<u>(48,802)</u>	<u>(291,981)</u>
Cash Flows from Investing Activities:						
Interest on Investments					39	39
Net Cash Provided by (Used in) Investing Activities					<u>39</u>	<u>39</u>
Net Increase (Decrease) in Cash and Cash	19,785	58,553	(67,948)		(1,076)	9,314
Cash and Cash Equivalents Beginning of Year	<u>178,135</u>	<u>207,891</u>	<u>584,259</u>	<u>334,000</u>	<u>261,801</u>	<u>1,566,086</u>
Cash and Cash Equivalents End of Year	<u>\$197,920</u>	<u>\$266,444</u>	<u>\$516,311</u>	<u>\$334,000</u>	<u>\$260,725</u>	<u>\$1,575,400</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. REPORTING ENTITY

The Village of New Knoxville (the Village), Auglaize County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village 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 primary government of the Village of New Knoxville provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, electric, water, sewer and refuse collection.

B. Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in one jointly governed organization and one public entity risk pool. Notes 12 and 13 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, 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. 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position 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 in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating 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 funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds

General – The general fund accounts for and reports all financial resources not accounted for and reported 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 Maintenance and Repair – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. When the services are provided to the general public, the activity is reported as an enterprise fund.

3. 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 following are the Village's major enterprise funds:

Water Fund – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

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

4. Fiduciary Funds

The Village uses fiduciary funds to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financials statements because the resources of these funds are not available to support the Village's programs. The Village has one fiduciary fund:

Mayors Court Fund – The mayor's court fund accounts for revenues from mayors court citations. Resources are held until in this fiduciary fund until they can be split between their respective parties. At December 31, 2016, the balance is \$0.

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. Any such modifications made by the Village are described in the appropriate section in this note.

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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and 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 Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by 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 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 in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves and debt service are reported as "Cash and Cash Equivalents in Segregated Accounts."

Investments of the cash management pool and investments 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 (contra revenue), respectively.

During 2016, the Village invested in STAR Ohio. Investments are reported at cost, except for the money market mutual fund and STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 were \$8,679 which includes \$5,178 assigned from other Village funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventory 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 cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's *modified* cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street and state highway improvements and federal and state grants restricted to cash disbursements for specific purposes.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Un-assigned – Un-assigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

N. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 non-operating 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.

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 Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General and Street funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

	General	Street Maintenance
Cash Basis	\$244,417	(\$13,064)
Encumbrances	(7,640)	(96)
Budget Basis	\$236,777	(\$13,160)

4. DEPOSITS AND INVESTMENTS

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

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either 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 not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.*

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

A. Deposits

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.

B. Investments

As of December 31, 2016, the Village had the following investments:

	<u>Fair Value</u>
Money Market Mutual Fund	\$43,335
STAR Ohio	<u>1,357,391</u>
Total Portfolio	<u>\$1,400,726</u>

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$72.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$12,663,070
Public Utility Personal Property	114,000
Total	<u>\$12,777,070</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

B. Income Taxes

The Village levies a 1.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. INTERFUND TRANSFERS

Transfers

During 2016, the following transfers were made:

<u>Transfer to:</u>	<u>Transfer From Major Funds</u>		<u>Total</u>
	<u>General</u>	<u>Water Fund</u>	
Other Non-major Governmental Funds	\$57,000	\$0	\$91,072
Other Non-major Proprietary Funds	\$34,072	\$15,266	\$49,337

The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Village contracted with several companies for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Stolly Insurance Group		
Blanket Property and Contents, Replacement	\$5,478,515	\$1,000
Inland Marine	542,188	1,000
General Liability		
Bodily Injury & Property Damage – Each Occurrence	1,000,000	0
Personal & Advertising Injury – Each Offense Limit	1,000,000	0
General Aggregate Limit	3,000,000	0
Product – Completed Operations Aggregate Limit	3,000,000	0
Medical Expense – Any One Person Limit	10,000	0
Medical Expense – Any One Accident Limit	50,000	0
Automobile Liability		
Non-Emergency Autos	50,000	250
Emergency Autos	100,000	250
Public Officials Liability- Each Wrongful Act	1,000,000	1,000
Police Professional Liability – Each Wrongful Act	1,000,000	1,000
Data Breach & Privacy Liability – Each Claim Limit	250,000	25,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

Workers' Compensation coverage is provided by the State of Ohio. 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 Village offers employee health benefits. The employee health benefit plan provides basic health and dental coverage through United Health Care, the third party administrator (TPA) of the program, which reviews and pays the claims. The Village pays 85 percent of premium costs for employees, and 70 percent of premium costs for employee family members. Total health insurance costs incurred by the Village during 2016 were \$32,020.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees, other than firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<hr/> Law Enforcement	<hr/> Law Enforcement	<hr/> Law Enforcement
Age and service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
 Public Safety and Law Enforcement	 Public Safety and Law Enforcement	 Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$40,187 for year 2016.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. Social Security

The Village employs twenty-two firefighters who contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple- employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's

Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$5,741, \$5,493, and \$5,319, respectively. The full amount has been contributed for all years.

10. DEBT

A. Long-Term Obligations

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
Governmental Activities:			
South Street Sidewalk Assessment	4.65%	\$17,197	9/20/2016
Industrial Park Phase II Project	2.825%	265,000	12/16/2025
OPWC Loans:			
Laura Street Reconstruction	0%	55,022	1/1/2038
Mill Street Reconstruction	0%	72,000	1/1/2022
South Street Reconstruction	0%	88,500	1/1/2026
Main Street Storm Sewer Outlet Replacement	0%	18,825	1/1/2030
Botkins Angle Road Reconstruction	0%	24,000	1/7/2022
Business-Type Activities:			
Special Assessment, Water, Fund 5722	4.9%	250,000	10/1/2020
OPWC Loans:			
Community Water System	0%	305,325	1/1/2021
Water Bond 1999, Fund 5721	4.7%	380,000	10/1/2021

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. DEBT (Continued)

The changes in the Village's long-term debt during 2016 were as follows:

	1/1/2016 Balance	Reductions	12/31/2016 Balance	Due in One Year
Governmental Type Activities:				
South Street Sidewalk Assessment	\$2,110	\$2,110	\$0	\$0
Industrial Park Phase II Project	265,000	86,326	178,674	23,988
OPWC Loans:				
Laura Street Reconstruction	40,349	1,834	38,515	1,835
Mill Street Reconstruction	21,600	3,600	18,000	3,600
South Street Reconstruction	44,250	4,425	39,825	4,425
Main Street Storm Sewer Outlet Replacement	13,178	941	12,237	941
Botkins Angle Road Replacement	7,800	1,200	6,600	1,200
Total Governmental Activities	<u>\$394,287</u>	<u>\$100,436</u>	<u>\$293,851</u>	<u>\$35,989</u>
Business-Type Activities:				
Special Assessment, Water, Fund 5722	\$85,000	\$15,000	\$70,000	\$15,000
OPWC Loan:				
Community Water System	76,330	15,266	61,064	15,266
Water Bond 1999, Fund 5721	160,000	25,000	135,000	25,000
Total Business-Type Activities	<u>\$321,330</u>	<u>\$55,266</u>	<u>\$266,064</u>	<u>\$55,266</u>

The Village contracted with First National Bank in New Bremen for the South Street Sidewalk Assessment loan and the Industrial Park Phase II Project loan. The South Street Sidewalk Assessment loan originated in 2006, and paid off in September of 2016. The Industrial Park Phase II Project loan originated in 2015, is paid back on a monthly basis, and will mature in 2025.

The Village has 6 outstanding loans with the Ohio Public Works Commission. Four of the loans are for street reconstruction, one is for storm sewer outlet replacement and one funded the community water system. All six loans are paid back on a semiannual basis. The Mill Street and Botkins Angle loans will mature in 2022, South Street will mature in 2026, and Laura Street will mature in 2038. The Main Street Storm Sewer Outlet replacement loan will mature in 2030, and the Community Water System loan will mature in 2021.

The Village contracts with The Bank of New York Mellon on two water bonds. Water Bond 1999 has an interest rate of 4.7%. Payments are made quarterly and this bond will mature in 2021. Water Bond 2000 has an interest rate of 4.9%. Payments are made semiannually and the bond will mature in 2020.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. DEBT (Continued)

Year	Special Assessment Bond		Water Bond, 1999		OPWC	Industrial Park Phase II Project	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$15,000	\$4,047	\$25,000	\$7,965	\$27,266	\$23,988	\$6,464
2018	15,000	3,193	25,000	6,490	27,266	24,675	5,778
2019	20,000	2,330	25,000	5,015	27,266	25,381	5,071
2020	20,000	1,170	30,000	3,540	27,267	26,095	4,358
2021			30,000	1,770	12,000	26,854	3,598
2022-2026					32,175	51,681	4,869
2027-2031					11,997		
2032-2036					9,170		
2037					1,834		
Total	<u>\$70,000</u>	<u>\$10,740</u>	<u>\$135,000</u>	<u>\$24,780</u>	<u>\$176,241</u>	<u>\$178,674</u>	<u>\$30,138</u>

B. AMP Ohio

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of the costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$173,962. The Village received a credit of \$28,477 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$100,260. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$13,903 to AMP toward its net impaired cost estimate. Also since March 31, 2014 the Village's allocation of additional costs incurred by the project is \$1,328 and interest expense incurred on AMP's line of credit of \$1,384, resulting in a net impaired cost estimate at December 31, 2015 of \$89,069.

The Village is currently recovering these costs and repaying AMP through a power cost adjustment. However, the Village intends to look into the option of financing the remaining amount during the 2017 fiscal year.

11. CONTINGENT LIABILITIES

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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS

New Knoxville Community Improvement Corporation

The New Knoxville Community Improvement Corporation (CIC) was formed for the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Village of New Knoxville and its surrounding area. It is controlled by ten trustees consisting of the Village Mayor, two Village Council Members, Village Solicitor, Village Administrator, one New Knoxville School Board member, one member of the Washington Township Trustees, and three Village residents. The three Village residents are elected by the members of the CIC and shall serve staggered three year terms. The remaining trustees hold permanent seats on the Board of Trustees as long as they hold their respective office. The Board exercises total control over the operations of the Corporation, and each participant's degree of control is limited to its representation on the Board. In 2016, the CIC had a net income of \$0.

13. PUBLIC ENTITY RISK POOL

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

14. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Street Maintenance	Other Governmental Funds	Total
Restricted for:				
Debt Service			\$32,340	\$32,340
Special Assessments			6,997	6,997
Emergency Medical Services			29,705	29,705
Fire Operations			21,699	21,699
Issue II Projects			2,468	2,468
Road Maintenance & Improvements		\$115,418	47,318	162,736
Total Restricted		115,418	140,527	255,945
Committed to:				
Compensated Absences	\$1,133			1,133
Total Committed	1,133			1,133
Assigned to:				
Reserved for Encumbrances	8,293			8,293
Subsequent Appropriations	42,405			42,405
Total Assigned	50,698			50,698
Unassigned	1,052,521			1,052,521
Total Fund Balances	<u>\$1,104,352</u>	<u>\$115,418</u>	<u>\$140,527</u>	<u>\$1,360,297</u>

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,202,099	\$1,522,421	\$2,724,520
Equity in Pooled Cash and Cash Equivalents in Segregated Accounts		43,665	43,665
Total Assets	<u>\$1,202,099</u>	<u>\$1,566,086</u>	<u>\$2,768,185</u>
Net Position:			
Restricted for:			
Capital Projects	\$103,461		\$103,461
Debt Service	28,672	\$43,665	72,337
Other Purposes	210,031		210,031
Unrestricted	859,935	1,522,421	2,382,356
Total Net Position	<u>\$1,202,099</u>	<u>\$1,566,086</u>	<u>\$2,768,185</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, 2015**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$108,174	\$72,745	\$320	\$9,575
Public Health Services	43			
Leisure Time Activities	25,305	1,845		
Community Environment		260		
Basic Utility Services	26,560	44,543		
Transportation	21,324	7,556	44,564	2,261
General Government	148,427	4,750		
Capital Outlay	358,217			
Debt Service:				
Principal Retirement	49,771			
Interest and Fiscal Charges	513			
Total Governmental Activities	<u>738,334</u>	<u>131,699</u>	<u>44,884</u>	<u>11,836</u>
Business Type Activities:				
Water Operating	137,356	155,372		
Sewer Operating	89,401	115,445		
Electric Operating	980,226	1,075,519		
WATER BOND-1999 trust #353313	30,590			
SPECIAL ASSESSMENT-water 2000 #526309	20,735			20,399
Note Retirement-Issue II water	15,267			
Enterprise Security Deposit Fund	7,992	7,643		
Total Business Type Activities	<u>1,281,567</u>	<u>1,353,979</u>		<u>20,399</u>
Total Primary Government	<u>\$2,019,901</u>	<u>\$1,485,678</u>	<u>\$44,884</u>	<u>\$32,235</u>

General Receipts:

Property Taxes
Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Loan Proceeds
Sale of Capital Assets
Earnings on Investments
Miscellaneous
Transfers
Total General Receipts
Change in Net Position
Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements.

**Net (Disbursements) Receipts and Changes in
Net Assets**

Primary Government		
Governmental Activities	Business Type Activities	Total
(\$25,534)		(\$25,534)
(43)		(43)
(23,460)		(23,460)
260		260
17,983		17,983
33,057		33,057
(143,677)		(143,677)
(358,217)		(358,217)
(49,771)		(49,771)
(513)		(513)
<u>(549,915)</u>		<u>(549,915)</u>
	\$18,016	18,016
	26,044	26,044
	95,293	95,293
	(30,590)	(30,590)
	(336)	(336)
	(15,267)	(15,267)
	<u>(349)</u>	<u>(349)</u>
	92,811	92,811
<u>(549,915)</u>	<u>92,811</u>	<u>(457,104)</u>
48,361		48,361
354,913		354,913
34,029	2,154	36,183
51,953		51,953
265,000		265,000
31,800		31,800
5,737	5	5,742
22,040	2,184	24,224
<u>(47,155)</u>	<u>47,155</u>	
<u>766,678</u>	<u>51,498</u>	<u>818,176</u>
216,763	144,309	361,072
985,336	1,421,777	2,407,113
<u>\$1,202,099</u>	<u>\$1,566,086</u>	<u>\$2,768,185</u>

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Street Construction Maint. Rep.</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$859,935	\$128,482	\$213,682	\$1,202,099
Total Assets	<u>\$859,935</u>	<u>\$128,482</u>	<u>\$213,682</u>	<u>\$1,202,099</u>
Fund Cash Balances, December 31:				
Non-spendable				
Restricted		\$128,482	\$213,682	\$342,164
Committed	\$1,133			1,133
Assigned	43,910			43,910
Unassigned	814,892			814,892
Fund Cash Balances, December 31	<u>\$859,935</u>	<u>\$128,482</u>	<u>\$213,682</u>	<u>\$1,202,099</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Street Construction Maintenance Rep.</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Municipal Income Taxes	\$354,913			\$354,913
Property Taxes	26,499		\$21,862	48,361
Other Local Taxes	34,029		7,556	41,585
Intergovernmental	52,273	\$41,222	12,917	106,412
Special Assessments			2,261	2,261
Charges for Services	109,559		7,729	117,288
Fines, Licenses and Permits	6,855			6,855
Earnings on Investments	5,342	280	115	5,737
Miscellaneous	12,937	18	5,680	18,635
Total Receipts	<u>602,407</u>	<u>41,520</u>	<u>58,120</u>	<u>702,047</u>
Disbursements:				
Current:				
Security of Persons and Property	77,535		30,639	108,174
Public Health Services	43			43
Leisure Time Activities	25,305			25,305
Basic Utility Services	26,560			26,560
Transportation		19,371	1,953	21,324
General Government	148,427			148,427
Capital Outlay	101,680	21,794	234,743	358,217
Debt Service:				
Principal Retirement			49,771	49,771
Interest and Fiscal Charges			513	513
Total Disbursements	<u>379,550</u>	<u>41,165</u>	<u>317,619</u>	<u>738,334</u>
Excess of Receipts Over (Under) Disbursements	<u>222,857</u>	<u>355</u>	<u>(259,499)</u>	<u>(36,287)</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	26,800		5,000	31,800
Transfers In			66,903	66,903
Transfers Out	(114,058)			(114,058)
Loan Proceeds			265,000	265,000
Other Financing Sources			3,405	3,405
Total Other Financing Sources (Uses)	<u>(87,258)</u>		<u>340,308</u>	<u>253,050</u>
Net Change in Fund Balances	<u>135,599</u>	<u>355</u>	<u>80,809</u>	<u>216,763</u>
Fund Balances Beginning of Year	724,336	128,127	132,873	985,336
Fund Balances End of Year	<u>\$859,935</u>	<u>\$128,482</u>	<u>\$213,682</u>	<u>\$1,202,099</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, 2015**

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Municipal Income Taxes	\$282,000	\$282,000	\$354,913	\$72,913
Property Taxes	30,186	30,186	26,499	(3,687)
Other Local Taxes	34,000	34,000	34,029	29
Intergovernmental	39,544	39,544	52,273	12,729
Charges for Services	89,000	89,000	109,559	20,559
Fines, Licenses and Permits	1,720	1,720	6,855	5,135
Earnings on Investments	3,300	3,300	5,342	2,042
Miscellaneous	19,583	19,583	12,937	(6,646)
Total Receipts	<u>499,333</u>	<u>499,333</u>	<u>602,407</u>	<u>103,074</u>
Disbursements:				
Current:				
Security of Persons and Property	93,051	93,051	77,731	15,320
Public Health Services	65	65	43	22
Leisure Time Activities	42,739	42,739	25,857	16,882
Basic Utility Services	30,000	30,000	26,560	3,440
General Government	201,690	201,690	148,820	52,870
Capital Outlay	113,800	113,800	101,681	12,119
Total Disbursements	<u>481,345</u>	<u>481,345</u>	<u>380,692</u>	<u>100,653</u>
Excess of Receipts Over (Under) Disbursements	<u>17,988</u>	<u>17,988</u>	<u>221,715</u>	<u>203,727</u>
Other Financing Sources (Uses):				
Sale of Capital Assets			26,800	26,800
Transfers In	2,625	2,625		(2,625)
Transfers Out	(128,068)	(128,068)	(114,058)	14,010
Total Other Financing Sources (Uses)	<u>(125,443)</u>	<u>(125,443)</u>	<u>(87,258)</u>	<u>38,185</u>
Net Change in Fund Balance	(107,455)	(107,455)	134,457	241,912
Unencumbered Fund Balance Beginning of Year	721,338	721,338	721,338	
Prior Year Encumbrances Appropriated	2,998	2,998	2,998	
Unencumbered Balance End of Year	<u>\$616,881</u>	<u>\$616,881</u>	<u>\$858,793</u>	<u>\$241,912</u>

See accompanying notes to the basic financial

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Intergovernmental	\$33,500	\$33,500	\$41,222	\$7,722
Earnings on Investments	260	260	280	20
Miscellaneous			18	18
Total Receipts	<u>33,760</u>	<u>33,760</u>	<u>41,520</u>	<u>7,760</u>
Disbursements:				
Current:				
Transportation	36,742	36,742	19,395	17,347
Capital Outlay	27,500	27,500	21,794	5,706
Total Disbursements	<u>64,242</u>	<u>64,242</u>	<u>41,189</u>	<u>23,053</u>
Excess of Receipts Over (Under) Disbursements	<u>(30,482)</u>	<u>(30,482)</u>	<u>331</u>	<u>30,813</u>
Net Change in Fund Balance	(30,482)	(30,482)	331	30,813
Unencumbered Fund Balance Beginning of Year	128,083	128,083	128,083	
Prior Year Encumbrances Appropriated	<u>44</u>	<u>44</u>	<u>44</u>	
Unencumbered Balance End of Year	<u>\$97,645</u>	<u>\$97,645</u>	<u>\$128,458</u>	<u>\$30,813</u>

See accompanying notes to the basic financial statements.

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business Type Activities					Total Enterprise Funds
	Water Operating	Sewer Operating	Electric Operating	Electric Fund Reserve	Other Enterprise Funds	
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$178,135	\$207,891	\$584,259	\$334,000	\$218,136	\$1,522,421
Equity in Pooled Cash and Cash Equivalents in Segregated Accounts					43,665	43,665
Total Assets	<u>\$178,135</u>	<u>\$207,891</u>	<u>\$584,259</u>	<u>\$334,000</u>	<u>\$261,801</u>	<u>\$1,566,086</u>
Net Position:						
Restricted for:						
Debt Service					\$43,665	\$43,665
Unrestricted	178,135	207,891	584,259	334,000	218,136	1,522,421
Total Net Position	<u>\$178,135</u>	<u>\$207,891</u>	<u>\$584,259</u>	<u>\$334,000</u>	<u>\$261,801</u>	<u>\$1,566,086</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Electric Fund Reserve</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Receipts:						
Charges for Services	\$155,372	\$115,445	\$1,075,519		\$7,643	\$1,353,979
Total Operating Receipts	<u>155,372</u>	<u>115,445</u>	<u>1,075,519</u>		<u>7,643</u>	<u>1,353,979</u>
Operating Disbursements:						
Personal Services	47,419	35,556	87,564			170,539
Employee Fringe Benefits	22,070	8,471	30,031			60,572
Contractual Services	19,784	17,205	821,218			858,207
Supplies and Materials	26,289	6,375	11,896			44,560
Other			2,155		7,992	10,147
Total Operating Disbursements	<u>115,562</u>	<u>67,607</u>	<u>952,864</u>		<u>7,992</u>	<u>1,144,025</u>
Operating Income (Loss)	<u>39,810</u>	<u>47,838</u>	<u>122,655</u>		<u>(349)</u>	<u>209,954</u>
Non-Operating Receipts (Disbursements):						
Property and Other Local Taxes			2,154			2,154
Special Assessments					20,399	20,399
Earnings on Investments					5	5
Miscellaneous Receipts	916	50	1,218			2,184
Capital Outlay	(21,794)	(21,794)	(27,362)			(70,950)
Principal Retirement					(50,267)	(50,267)
Interest and Other Fiscal Charges					(16,325)	(16,325)
Total Non-Operating Receipts (Disbursements)	<u>(20,878)</u>	<u>(21,744)</u>	<u>(23,990)</u>		<u>(46,188)</u>	<u>(112,800)</u>
Income (Loss) before Capital Contributions, Transfers In	18,932	26,094	98,665		(46,537)	97,154
Change in Net Position	<u>18,932</u>	<u>26,094</u>	<u>98,665</u>		<u>618</u>	<u>144,309</u>
Net Position Beginning of Year	159,203	181,797	485,594	\$334,000	261,183	1,421,777
Net Position End of Year	<u>\$178,135</u>	<u>\$207,891</u>	<u>\$584,259</u>	<u>\$334,000</u>	<u>\$261,801</u>	<u>\$1,566,086</u>

See accompanying notes to the basic financial statements.

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY

STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary Funds					Total Enterprise Funds
	Water Operating	Sewer Operating	Electric Operating	Electric Fund Reserve	Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents:						
Cash Flows from Operating Activities:						
Cash Received from Customers	\$155,372	\$115,445	\$1,075,519		\$7,643	\$1,353,979
Cash Payments to Employees for Services	(47,419)	(35,556)	(87,564)			(170,539)
Cash Payments for Employee Benefits	(22,070)	(8,471)	(30,031)			(60,572)
Cash Payments for Goods and Services	(46,073)	(23,580)	(833,114)			(902,767)
Other Cash Payments			(2,155)		(7,992)	(10,147)
Net Cash Provided by (Used in) Operating Activities	<u>39,810</u>	<u>47,838</u>	<u>122,655</u>		<u>(349)</u>	<u>209,954</u>
Cash Flows from Non-capital Financing Activities:						
Property Taxes (for noncapital purposes)			2,154			2,154
Other Cash Receipts	916	50	1,218			2,184
Transfers In					47,155	47,155
Net Cash Provided by (Used in) Noncapital Financing	<u>916</u>	<u>50</u>	<u>3,372</u>		<u>47,155</u>	<u>51,493</u>
Cash Flows from Capital and Related Financing:						
Principal Paid on Debt					(50,267)	(50,267)
Interest Paid on Debt					(16,325)	(16,325)
Special Assessments (for capital purposes)					20,399	20,399
Payments for Capital Acquisitions	(21,794)	(21,794)	(27,362)			(70,950)
Net Cash Provided by (Used in) Capital and Related	<u>(21,794)</u>	<u>(21,794)</u>	<u>(27,362)</u>		<u>(46,193)</u>	<u>(117,143)</u>
Cash Flows from Investing Activities:						
Interest on Investments					5	5
Net Cash Provided by (Used in) Investing Activities					<u>5</u>	<u>5</u>
Net Increase (Decrease) in Cash and Cash	<u>18,932</u>	<u>26,094</u>	<u>98,665</u>		<u>618</u>	<u>144,309</u>
Cash and Cash Equivalents Beginning of Year	159,203	181,797	485,594	\$334,000	261,183	1,421,777
Cash and Cash Equivalents End of Year	<u>\$178,135</u>	<u>\$207,891</u>	<u>\$584,259</u>	<u>\$334,000</u>	<u>\$261,801</u>	<u>\$1,566,086</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. REPORTING ENTITY

The Village of New Knoxville (the Village), Auglaize County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village 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 primary government of the Village of New Knoxville provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, electric, water, sewer and refuse collection.

B. Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in one jointly governed organization and one public entity risk pool. Notes 12 and 13 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, 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. 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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position 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 in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange 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, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the cash 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 program or function of the Village's governmental activities 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support 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 program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating 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 funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in three categories: governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds

General - The general fund accounts for and reports all financial resources not accounted for and reported 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 Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. When the services are provided to the general public, the activity is reported as an enterprise fund.

3. 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 following are the Village's major enterprise funds:

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

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

Electric Fund - The electric fund accounts for the provision of electric distribution to the residents and commercial users within the Village.

4. Fiduciary Funds

The Village uses fiduciary funds to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financials statements because the resources of these funds are not available to support the Village's programs. The Village has one fiduciary fund:

Mayors Court Fund - The mayor's court fund accounts for revenues from mayors court citations. Resources are held until in this fiduciary fund until they can be split between their respective parties. At December 31, 2015, the balance is \$0.

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. Any such modifications made by the Village are described in the appropriate section in this note.

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 expenses and liabilities) are not recorded in these financial statements.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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 tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and 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 Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by 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 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 in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves and debt service are reported as "Cash and Cash Equivalents in Segregated Accounts."

Investments of the cash management pool and investments 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 (contra revenue), respectively.

During 2015, the Village invested in STAR Ohio. Investments are reported at cost, except for the money market mutual fund and STAR Ohio.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2015, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2015 was \$5,342 which includes \$115 assigned from other Village funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventory 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 cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

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

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street and state highway improvements and federal and state grants restricted to cash disbursements for specific purposes.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Un-assigned - Un-assigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

N. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 non-operating 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.

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 Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General and Street funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

	General	Street Maintenance
Cash Basis	\$135,599	\$355
Encumbrances	(1,142)	(24)
Budget Basis	\$134,457	\$331

4. DEPOSITS AND INVESTMENTS

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

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either 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 not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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

A. Deposits

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.

B. Investments

As of December 31, 2015, the Village had the following investments:

Fair Value	
Money Market Mutual Fund	\$43,665
STAR Ohio	<u>1,352,267</u>
Total Portfolio	<u>\$1,395,932</u>

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$72.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	\$12,618,580
Public Utility Personal Property	<u>97,910</u>
Total	<u><u>\$12,716,490</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

B. Income Taxes

The Village levies a 1.5 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1.5 percent must pay the difference to the Village. Additional increases in the income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

6. INTERFUND TRANSFERS

Transfers

During 2015, the following transfers were made:

Transfer to	Transfer from Major Funds	
	General	Total
Other Non-major Governmental Funds	\$66,903	\$66,903
Other Non-major Proprietary Funds	47,155	47,155

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

6. INTERFUND TRANSFERS (Continued)

The above mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the Village contracted with several companies for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Blanket Property and Contents, Replacement	\$5,475,454	\$1,000
Inland Marine	518,886	1,000
General Liability		
Bodily Injury & Property Damage - Each Occurrence	1,000,000	0
Personal & Advertising Injury - Each Offense Limit	1,000,000	0
General Aggregate Limit	3,000,000	0
Product - Completed Operations Aggregate Limit	3,000,000	0
Medical Expense - Any One Person Limit	10,000	0
Medical Expense - Any One Accident Limit	50,000	0
Automobile Liability		
Non-Emergency Autos	50,000	250
Emergency Autos	100,000	250
Public Officials Liability- Each Wrongful Act	1,000,000	1,000
Police Professional Liability - Each Wrongful Act	1,000,000	1,000
Data Breach & Privacy Liability - Each Claim Limit	250,000	25,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

Workers' Compensation coverage is provided by the State of Ohio. 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 Village offers employee health benefits. The employee health benefit plan provides basic health and dental coverage through InHealth Mutual, the third party administrator (TPA) of the program, which reviews and pays the claims. The Village pays 90 percent of premium costs for employees, and 70 percent of premium costs for employee family members. Total health insurance costs incurred by the Village during 2015 were \$41,851.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Village employees, other than firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in the OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5 for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<hr/> Law Enforcement	<hr/> Law Enforcement	<hr/> Law Enforcement
Age and service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
 Public Safety and Law Enforcement	 Public Safety and Law Enforcement	 Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$38,452 for year 2015.

B. Social Security

The Village employs twenty firefighters who contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

9. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple- employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's

Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$5,493, \$5,319, and \$5,879 respectively. The full amount has been contributed for all years.

10. DEBT

Long-Term Obligations			
Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
South Street Sidewalk Assessment	4.65%	\$17,197	9/20/2016
Industrial Park & NK Supply Building	3.60%	495,000	1/26/2015
Industrial Park Phase II Project	2.825%	265,000	12/16/2025
OPWC Loans:			
Laura Street Reconstruction	0%	55,022	1/1/2038
Mill Street Reconstruction	0%	72,000	1/1/2022
South Street Reconstruction	0%	88,500	1/1/2026
Main Street Storm Sewer Outlet Replacement	0%	18,825	1/1/2030
Botkins Angle Road Reconstruction	0%	24,000	1/7/2022
Business-Type Activities:			
Special Assessment, Water, Fund 5722	4.9%	250,000	10/1/2020
OPWC Loans:			
Community Water System	0%	305,325	1/1/2021

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. DEBT (Continued)

The changes in the Village's long-term debt during 2015 were as follows:

	Amount Outstanding 12/31/14	Additions	Deletions	Amount Outstanding 12/31/15	Amounts Due in One Year
Governmental Activities:					
South Street Sidewalk Assessment	\$4,146		\$2,036	\$2,110	\$2,110
Industrial Park & NK Supply Building	35,735		35,735		
Industrial Park Phase II Project		\$265,000		265,000	25,223
OPWC Loans:					
Laura Street Reconstruction	42,183		1,834	40,349	1,834
Mill Street Reconstruction	25,200		3,600	21,600	3,600
South Street Reconstruction	48,675		4,425	44,250	4,425
Main Street Storm Sewer Outlet Replacement	14,119		941	13,178	941
Botkins Angle Road Replacement	9,000		1,200	7,800	1,200
Total Governmental Activities	179,058	265,000	49,771	394,287	39,333
Business Type Activities					
Special Assessment, Water, Fund 5722	100,000		15,000	85,000	15,000
OPWC Loan:	91,597		15,267	76,330	15,266
Community Water System					
Water Bond 1999, Fund 5721	180,000		20,000	160,000	25,000
Total Business Type Activities	\$371,597	\$0	\$50,267	\$321,330	\$55,266

The Village contracted with First National Bank in New Bremen for the South Street Sidewalk Assessment loan and the Industrial Park Phase II Project loan. The South Street Sidewalk Assessment loan originated in 2006, and will pay off in 2016. The Industrial Park Phase II Project loan originated in 2015, is paid back on a monthly basis, and will mature in 2025.

The Village has 6 outstanding loans with the Ohio Public Works Commission. Four of the loans are for street reconstruction, one is for storm sewer outlet replacement and one funded the community water system. All six loans are paid back on a semiannual basis. The Mill Street and Botkins Angle loans will mature in 2022, South Street will mature in 2026, and Laura Street will mature in 2038. The Main Street Storm Sewer Outlet replacement loan will mature in 2030, and the Community Water System loan will mature in 2021.

The Village contracts with The Bank of New York Mellon on two water bonds. Water Bond 1999 has an interest rate of 4.7%. Payments are made quarterly and this bond will mature in 2021. Water Bond 2000 has an interest rate of 4.9%. Payments are made semiannually and the bond will mature in 2020.

**VILLAGE OF NEW KNOXVILLE, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

10. DEBT (Continued)

Year	Special Assessment Bond		Water Bond, 1999		OPWC	Industrial Park Phase II Project	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2016	\$15,000	\$4,895	\$25,000	\$9,440	\$27,266	\$25,223	\$7,766
2017	15,000	4,047	25,000	7,965	27,266	23,988	6,464
2018	15,000	3,193	25,000	6,490	27,266	24,675	5,778
2019	20,000	2,330	25,000	5,015	27,266	25,381	5,071
2020	20,000	1,170	30,000	3,540	27,267	26,095	4,358
2021-2025			30,000	1,770	41,400	139,638	10,087
2026-2030					12,938		
2031-2035					9,170		
2036-2037					3,668		
Total	\$85,000	\$15,635	\$160,000	\$34,220	\$203,507	\$265,000	\$39,524

South Street Sidewalk Assessment

Year	Principal	Interest
2016	\$2,110	\$99
Total	\$2,110	\$99

AMP Ohio

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$173,962. The Village received a credit of \$28,477 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$100,260. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$13,903 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,328 and interest expense incurred on AMP's line-of-credit of \$1,384, resulting in a net impaired cost estimate at December 31, 2015 of \$89,069.

The Village intends to recover these costs and repay AMP through a power cost adjustment.

11. CONTINGENT LIABILITIES

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, OHIO
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

12 - JOINTLY GOVERNED ORGANIZATIONS

The New Knoxville Community Improvement Corporation (CIC) was formed for the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Village of New Knoxville and its surrounding area. It is controlled by ten trustees consisting of the Village Mayor, two Village Council Members, Village Solicitor, Village Administrator, one New Knoxville School Board member, one member of the Washington Township Trustees, and three Village residents. The three Village residents are elected by the members of the CIC and shall serve staggered three year terms. The remaining trustees hold permanent seats on the Board of Trustees as long as they hold their respective office. The Board exercises total control over the operations of the Corporation, and each participant's degree of control is limited to its representation on the Board. In 2015, the CIC had a net income of \$0.

13. PUBLIC ENTITY RISK POOL

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

14. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Maintenance	Street Funds	Other Governmental Total
Restricted For:				
Debt Service			\$28,672	\$28,672
Emergency Medical Services			29,705	29,705
Fire Operations			19,348	19,348
Special Assessments			7,076	7,076
Issue II Projects			2,468	2,468
Road Maintenance & Improvements		\$128,482	126,413	254,895
Total Restricted		128,482	213,682	342,164
Committed to:				
Compensated Absences	\$1,133			1,133
Total Committed	1,133			1,133
Assigned to:				
Reserved for Encumbrances	1,142			1,142
Subsequent Appropriations	42,768			42,768
Total Assigned	43,910			43,910
Unassigned	814,892			814,892
Total Fund Balances	\$859,935	\$128,482	\$213,682	\$1,202,099



Dave Yost • Auditor of State

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

Village of New Knoxville
Auglaize County
101 S Main St
PO Box 246
New Knoxville, Ohio 45871

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis 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, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 14, 2018 wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2018

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
FOR DECEMBER 31, 2016 AND 2015**

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

Financial Statement Errors

FINDING NUMBER 2016-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village did not properly classify all transactions. The following errors were noted on the Village's annual reports:

- Adjustments were noted in 2016 to agree beginning fund balance to the ending fund balance as of December 31, 2015, in the amounts of \$281 in the General Fund and \$11 in the Enterprise Security Deposit Fund.
- Adjustments were noted in 2015 to agree beginning fund balance to prior year ending balance in the General Fund and Enterprise Security Deposit Fund, resulting in audit adjustments of \$884 and \$194, respectively.
- In 2015, Ohio Public Works Commission loan proceeds of \$265,000 were shown on the Statement of Activities as Miscellaneous Revenue instead of Loan Proceeds. This amount was also adjusted to be shown as Loan Proceeds for Other Governmental Funds per the individual fund statement.
- Adjustments were noted in 2016 and 2015 of \$43,335 and \$43,665, respectively, were reclassified as cash and cash equivalents from investments in the Water Bond Trust fund and the Water Debt Service Reserve fund to properly show classification for the cash accounts.
- Adjustments were noted in 2016 and 2015 of \$35,081 and \$35,054, respectively, were reclassified as restricted fund balances in the Water Bond Trust fund and the Water Debt Service Reserve fund as amounts set aside for debt reserve requirements.
- Adjustment was made to the Other Governmental funds on the individual fund statement and to the Statement of Activities for Governmental funds in the amount of \$38,004 to reclassify a principal debt payment from a Capital Outlay disbursement line item for 2016.

Additionally, Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.168-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 also establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

**FINDING NUMBER 2016-001
(Continued)**

- In both 2016 and 2015, a portion of the unassigned fund balance in the General Fund was reclassified to assigned to properly reflect appropriations exceeding estimated resources for the next year per GASB 54 guidance, in the amounts of \$42,405 and \$42,768, respectively.

The adjustments are reflected on the audited financial statements and in the Village's books. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$654 to \$720 that we have brought to the Village's attention.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts/line items. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts. The fiscal officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and inaccurate financial statements. The Village Council should review the activity that have been posted to the accounting system on a monthly basis and document this review either in the minutes or by signing off on the system generated reports.

Official's Response:

We did not receive a response from Officials to this finding.



Dave Yost • Auditor of State

VILLAGE OF NEW KNOXVILLE

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 17, 2018