



**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Knoxville
Auglaize County
P.O. Box 246
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To the Members of Council:

We have audited the accompanying financial statements of the Village of New Knoxville, Auglaize County, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of New Knoxville
Auglaize County
Report of Independent Accountants
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This report is intended solely for the information and use of the management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 21, 2001

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$27,577	\$9,018				\$36,595
Special Assessments			\$9,728	\$275,224		284,952
Intergovernmental Receipts	124,741	41,172		163,409		329,322
Charges for Services	62,021					62,021
Fines, Licenses, and Permits	2,082					2,082
Earnings on Investments	54,447	2,869				57,316
Miscellaneous	27,155	130				27,285
Total Cash Receipts	298,023	53,189	9,728	438,633		799,573
Cash Disbursements:						
Current:						
Security of Persons and Property	87,949	8,000				95,949
Public Health Services	15					15
Leisure Time Activities	2,950					2,950
Basic Utility Services	21,909					21,909
Transportation		175,007				175,007
General Government	274,918					274,918
Debt Service:						
Principal Payments			33,313	495,000		528,313
Interest Payments			1,844	42,039		43,883
Capital Outlay				1,143,122		1,143,122
Total Disbursements	387,741	183,007	35,157	1,680,161		2,286,066
Total Receipts Over/(Under) Disbursements	(89,718)	(129,818)	(25,429)	(1,241,528)		(1,486,493)
Other Financing Receipts/(Disbursements):						
Sale of Bonds				250,000		250,000
Sale of Notes			25,586	15,519		41,105
Loan Proceeds				198,430		198,430
Transfers-In	34,417	34,417		160,613		229,447
Total Other Financing Receipts/(Disbursements)	34,417	34,417	25,586	624,562		718,982
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,301)	(95,401)	157	(616,966)		(767,511)
Fund Cash Balances January 1	246,304	119,547	41,649	701,570	4,247	1,113,317
Fund Cash Balances, December 31	\$191,003	\$24,146	\$41,806	\$84,604	\$4,247	\$345,806
Reserves for Encumbrances, December 31	\$2,195	\$429	\$0	\$0	\$0	\$2,624

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

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,075,528		\$1,075,528
Total Operating Cash Receipts	1,075,528		1,075,528
Operating Cash Disbursements:			
Personal Services	109,728		109,728
Fringe Benefits	17,924		17,924
Contractual Services	526,452		526,452
Supplies and Materials	119,987		119,987
Capital Outlay	61,619		61,619
Miscellaneous	3,000		3,000
Total Operating Cash Disbursements	838,710		838,710
Operating Income/(Loss)	236,818		236,818
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		253,904	253,904
Other Non-Operating Receipts		2,142	2,142
Total Non-Operating Cash Receipts		256,046	256,046
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		3,433	3,433
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	236,818	252,613	489,431
Transfers-Out		(229,447)	(229,447)
Net Receipts Over/(Under) Disbursements	236,818	23,166	259,984
Fund Cash Balances, January 1	487,345	947	488,292
Fund Cash Balances, December 31	\$724,163	\$24,113	\$748,276
Reserve for Encumbrances, December 31	\$24,157	\$0	\$24,157

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

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$26,009					\$26,009
Special Assessments			\$15,218			15,218
Intergovernmental Receipts	82,879	\$30,678				113,557
Charges for Services	47,449					47,449
Fines, Licenses, and Permits	2,428					2,428
Earnings on Investments	52,307			\$24		52,331
Miscellaneous	3,020	1,443		264		4,727
Total Cash Receipts	<u>214,092</u>	<u>32,121</u>	<u>15,218</u>	<u>288</u>		<u>261,719</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	68,763					68,763
Leisure Time Activities	4,260					4,260
Basic Utility Services	18,238					18,238
Transportation		49,449				49,449
General Government	138,907					138,907
Debt Service:						
Principal Payments			44,828	20,000		64,828
Interest Payments			2,519			2,519
Capital Outlay	8,349	13,625		622,439		644,413
Total Disbursements	<u>238,517</u>	<u>63,074</u>	<u>47,347</u>	<u>642,439</u>		<u>991,377</u>
Total Receipts Over/(Under) Disbursements	<u>(24,425)</u>	<u>(30,953)</u>	<u>(32,129)</u>	<u>(642,151)</u>		<u>(729,658)</u>
Other Financing Receipts/(Disbursements):						
Sale of Bonds			35,342	344,950		380,292
Sale of Notes			32,524	495,000		527,524
Loan Proceeds				104,578		104,578
Transfers-In	35,056	35,145		313,507		383,708
Other Sources				130	\$4,247	4,377
Other Uses	(555)					(555)
Total Other Financing Receipts/(Disbursements)	<u>34,501</u>	<u>35,145</u>	<u>67,866</u>	<u>1,258,165</u>	<u>4,247</u>	<u>1,399,924</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,076	4,192	35,737	616,014	4,247	670,266
Fund Cash Balances January 1	<u>236,228</u>	<u>115,355</u>	<u>5,912</u>	<u>85,556</u>		<u>443,051</u>
Fund Cash Balances, December 31	<u>\$246,304</u>	<u>\$119,547</u>	<u>\$41,649</u>	<u>\$701,570</u>	<u>\$4,247</u>	<u>\$1,113,317</u>

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

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$713,099		\$713,099
Total Operating Cash Receipts	<u>713,099</u>		<u>713,099</u>
Operating Cash Disbursements:			
Personal Services	84,026		84,026
Contractual Services	571,931		571,931
Supplies and Materials	75,548		75,548
Capital Outlay	74,738		74,738
Total Operating Cash Disbursements	<u>806,243</u>		<u>806,243</u>
Operating Income/(Loss)	<u>(93,144)</u>		<u>(93,144)</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		\$236,947	236,947
Other Non-Operating Receipts		2,328	2,328
Total Non-Operating Cash Receipts		<u>239,275</u>	<u>239,275</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	1,850	5,211	7,061
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(94,994)	234,064	139,070
Transfers- Out	<u>(150,000)</u>	<u>(233,708)</u>	<u>(383,708)</u>
Net Receipts Over/(Under) Disbursements	(244,994)	356	(244,638)
Fund Cash Balances, January 1	<u>732,339</u>	<u>591</u>	<u>732,930</u>
Fund Cash Balances, December 31	<u>\$487,345</u>	<u>\$947</u>	<u>\$488,292</u>

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

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Knoxville, Auglaize County, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services, including water, electric, and sewer utilities, street construction, maintenance and repair, refuse service, and fire and police services.

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

B. Basis of Accounting

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

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

Sewer Bond Retirement Fund - This fund receives special assessments from benefitted property owners for the repayment of debt for sanitary sewer improvements.

Street and Sidewalk Note Retirement Fund - This fund receives special assessments from benefitted property owners for the repayment of debt for street and sidewalk improvements.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Water Project Construction Fund - This fund received the proceeds of special assessment general obligation bonds and First Mortgage Waterworks System Revenue Bonds. The proceeds are being used to construct a waterworks system.

Issue II New Bremen Street Construction Fund - This fund received Issue II money and proceeds of notes and special assessments. The proceeds are being used to improve New Bremen Street and sidewalks.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village had the following significant fiduciary funds:

Income Tax Fund - This fund is an agency fund used for the collection and distribution of income taxes to other funds.

Mayors Court Fund - This fund is an agency fund used for the collection and distribution of court fines and costs.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. During 1999, the Village did not use the encumbrance method of accounting, but implemented the use of the encumbrance method of accounting for the year 2000. Encumbrances at year-end are carried over and need not be re-appropriated.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 694,082	\$ 1,201,609
Certificates of deposit	400,000	400,000
Total deposits	<u>\$ 1,094,082</u>	<u>\$ 1,601,609</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 253,825	\$ 332,440	\$ 78,615
Special Revenue	86,690	87,606	916
Debt Service	44,239	35,314	(8,925)
Capital Projects	1,244,014	1,063,195	(180,819)
Enterprise	866,700	1,075,528	208,828
Fiduciary	234,247	256,046	21,799
Total	<u>\$ 2,729,715</u>	<u>\$ 2,850,129</u>	<u>\$ 120,414</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 500,129	\$ 389,936	\$ 110,193
Special Revenue	206,238	183,436	22,802
Debt Service	90,136	35,157	54,979
Capital Projects	1,929,532	1,680,161	249,371
Enterprise	1,370,097	862,867	507,230
Fiduciary	235,194	232,880	2,314
Total	<u>\$ 4,331,326</u>	<u>\$ 3,384,437</u>	<u>\$ 946,889</u>

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 245,923	\$ 249,148	\$ 3,225
Special Revenue	60,700	67,266	6,566
Debt Service	54,463	83,084	28,621
Capital Projects	1,274,000	1,258,453	(15,547)
Enterprise	720,700	713,099	(7,601)
Fiduciary	200,000	243,522	43,522
Total	<u>\$ 2,555,786</u>	<u>\$ 2,614,572</u>	<u>\$ 58,786</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 482,150	\$ 239,072	\$ 243,078
Special Revenue	176,056	63,074	112,982
Debt Service	64,622	47,347	17,275
Capital Projects	1,359,556	642,439	717,117
Enterprise	1,453,038	958,093	494,945
Fiduciary	200,591	238,919	(38,328)
Total	<u>\$ 3,736,013</u>	<u>\$ 2,188,944</u>	<u>\$ 1,547,069</u>

The Village did not follow budgetary procedures which requires funds to be certified prior to obligations being made. In addition, appropriate funds had not been established for debt retirement, or capital projects.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Special Assessment Notes	\$ 48,206	4.75 - 5.00%
Ohio Public Works Commission Loan	305,324	0%
General Obligation Bonds	250,000	4.70 - 5.85%
Mortgage Revenue Bonds	380,000	4.55 - 5.90%
Total	\$ 983,530	

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

The Ohio Public Works Commission (OPWC) loan relates to a water supply system project. The OPWC has approved up to \$449,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$7,633. over 20 years. The scheduled payment amount below assumes that \$305,324 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by income tax receipts.

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

Mortgage Revenue Bonds were issued in the amount of \$380,000 with proceeds to be used to construct the water system project. The bonds will be paid over a period of 20 years in annual payments as reflected below. The bonds are collateralized by a first mortgage on the waterworks system. The bonds will be paid by revenue generated by the waterworks system.

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

Year ending December 31:	OPWC Loan	Special Assessment Notes	General Obligation Bonds	Mortgage Revenue Bonds
2001	\$ 0	\$ 30,292	\$ 18,495	\$ 21,060
2002	15,266	3,409	23,260	31,060
2003	15,266	7,227	22,780	30,605
2004	15,266	2,177	22,290	30,135
2005	15,266	9,847	21,790	34,655
2005-2021	244,260	0	308,473	520,395
Total	\$ 305,324	\$ 52,952	\$ 417,088	\$ 667,910

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(Continued)**

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for January 1999 through June 2000 and an amount equal to 8.13% of participants' gross salaries for July 2000 through December 2000. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General Liability
- Auto Liability
- Property Coverage
- Wrongful Acts Coverage
- Inland Marine Coverage
- Law Enforcement Liability
- Public Officials Liability
- Fire Vehicle Coverage
- EDP Coverage

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

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

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

To the Members of Council:

We have audited the accompanying financial statements of the Village of New Knoxville, Auglaize County, (the Village), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated March 21, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30206-001 and 2000-30206-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated March 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 21, 2001.

Village of New Knoxville
Auglaize County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 21, 2001

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2000-30206-001	NONCOMPLIANCE
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Ohio Rev. Code Section 5705.41(D), states that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

An exception to this basic requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant ("then and now"). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district. Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Certification of funds by the fiscal officer was not obtained prior to incurring an obligation against the Village Treasury. Our test disclosed that thirty-four out of sixty expenditures, or 57 percent, had not been certified by the fiscal officer and were not encumbered until the time of payment. In addition, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment ("then and now"). This non-compliance occurred in fiscal year 1999.

Certification that funds are available should be obtained to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. The Village should establish procedures for obtaining certification prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above.

FINDING NUMBER	2000-30206-002	NONCOMPLIANCE
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Ohio Rev. Code Section 5705.10, states that all revenue derived from special levies for debt charges, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life of less than five years, shall be paid into the bond retirement fund. It also requires that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, it states that money paid into any fund shall be used only for the purposes for which said fund is established.

In addition, Ohio Rev. Code Sections 5705.09 (C) and 5705.09 (F), requires that each subdivision establish the following funds; a bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness; and a special fund for each class of revenues derived from a source other than general property tax, which the law requires to be used for a particular purpose.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER	2000-30206-002	NONCOMPLIANCE (Continued)
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During 1999 and 2000, the Village had issued or rolled over special assessment notes, in the amount of \$32,524 for 1999 and \$41,104 in 2000, for sidewalk projects, and did not establish a separate bond retirement fund for the debt which would be retired from the assessments against the benefitted property owners. In addition, the Village did not establish separate funds to provide accountability over the sidewalk construction, or the waterline construction projects that were funded by special assessments, note and bond issuances, designated income tax proceeds, a court approved transfer from the electric fund, and an Ohio Public Works Commission Loan. Such monies are restricted as to use and should be accounted for in separate accounting funds.

The Village should establish procedures for assuring that appropriate funds are established to provide accountability for projects and activities. The Village has subsequently established the required funds and the financial statements reflect related fund type reclassifications.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
1998-30206-001	Ohio Rev. Code Section 5705.41(D) requires a certificate of the fiscal officer to be attached to all expenditures of money.	No action taken in 1999. In 2000, some action was taken. Repeated.	In 2000, the Village utilized the Uniform Accounting Network (UAN), which resulted in issuance of purchase orders, which provided the means for certification by the fiscal officer.
1998-30206-002	Ohio Rev. Code Section 5705.41(B) states that a political subdivision shall not expend funds until they have been appropriated.	Fully corrected, in 2000.	
1998-30206-003	Ohio Admin. Code Section 117-5-13 requires that purchase orders be numbered consecutively, be made out in triplicate, and completed properly.	No action taken to correct in 1999. In 2000, corrective action was taken.	In 2000, the Village utilized the Uniform Accounting Network (UAN), which resulted in issuance of purchase orders by the system.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MAY 1, 2001**