

VILLAGE OF NEW KNOXVILLE

DAYTON REGION, AUGLAIZE COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 – 2005



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of New Knoxville, Auglaize County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2007

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VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY
TABLE OF CONTENTS

Title	Page
Independent Accountants' Report	1
Management Discussion and Analysis	4
Basic Financial Statements for Year Ended December 31, 2006:	
Government-Wide Financial Statements:	
Statement of Net Assets - Modified Cash Basis	14
Statement of Activities - Modified Cash Basis	15
Fund Financial Statements for Ended December 31, 2006:	
Governmental Funds	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds	16
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances Governmental Funds	17
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Budget and Actual - Budget Basis - General Fund	18
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Budget and Actual - Budget Basis - Street Construction Fund	19
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Budget and Actual - Budget Basis - Capital Improvement Fund	20
Statement of Fund Net Assets - Modified Cash Basis - Proprietary Funds	21
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds	22
Statement of Fiduciary Net Assets - Modified Cash Basis - Fiduciary Funds - Agency Fund	23

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY
TABLE OF CONTENTS

Title	Page
Basic Financial Statements for Year Ended December 31, 2005:	
Government-Wide Financial Statements:	
Statement of Net Assets - Modified Cash Basis	24
Statement of Activities - Modified Cash Basis	25
Fund Financial Statements for Ended December 31, 2005:	
Governmental Funds	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds	26
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances Governmental Funds	27
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Budget and Actual Budget Basis - General Fund	28
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Budget and Actual Budget Basis - Capital Projects	29
Statement of Receipts, Disbursements and Changes in Fund Cash Balances - Budget and Actual Budget Basis - Capital Improvement Fund	30
Statement of Fund Net Assets - Modified Cash Basis - Proprietary Funds	31
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis - Proprietary Funds	32
Statement of Fiduciary Net Assets - Modified Cash Basis - Fiduciary Funds - Agency Fund	33
Notes to the Financial Statements	34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53

**Manning & Associates CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and aggregate remaining fund information of the Village of New Knoxville, Auglaize County, Ohio, (the Village), as of and for the years ended December 31, 2006 and 2005, which collectively comprised the Village's basic financial statements as listed in the table of contents.. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits provide a reasonable basis for our opinion.

As described in Note 2, the Village has prepared these financial statements and notes using the modified cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Village of New Knoxville, Auglaize County, Ohio, as of December 31, 2006 and 2005, and the respective changes in financial position-modified cash basis and the respective budgetary comparison for the General Fund, Street Construction, and Capital Improvement funds for the year ended December 31, 2006 and the General Fund, Capital Projects, and Capital Improvement funds for the year ended December 31, 2005, in conformity with the basis of accounting Note 2 describes.

Village of New Knoxville
Auglaize County
Independent Accountants' Report
Page 2

For the years ended December 31, 2006 and 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. See Note 3 Change in basis of accounting and restatement of fund equity.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 16, 2007, on our consideration of the Village's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

July 16, 2007

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Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis of the Village of New Knoxville's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006 and 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$180,688, or 48.2 percent, a significant change from the prior year. This decrease in the governmental net assets is mostly due to proceeds of debt the village incurred for capital acquisition and capital improvements in 2005; \$252,243 of which remained in the Village's Capital Improvement funds for payment of capital assets and capital improvements in 2006, inflating the net assets at the end of 2005.

Municipal Income Tax represents 55.2 percent of the Village's general receipts. Property Taxes, and Grants and Entitlements represent \$157,336 or 13.5 percent and 17 percent, respectively, of the total cash received for general receipts. Property and Income taxes represent \$354,765 or 51.1 percent of total cash received for governmental activities during the year. Municipal income tax receipts for 2006 increased by 9 percent or \$25,675, from 2005. Property and other taxes remained virtually unchanged, except for Inheritance Tax which decreased 80.21 percent.

Net assets for business type activities decreased by 7.4 percent due to capital improvements (infrastructure) in Westphalia Sub-Division and the Industrial Park.

Capital expenses included payment of \$120,000 for the building located at 105 E. Bremen Street, referred to as the New Knoxville Annex Building, and costs associated with developing the infrastructures for the Industrial Park and for the new Westphalia residential sub-division, and the purchase of a new police cruiser.

New Knoxville Fire Department secured a FEMA grant of \$54,900 for purchase of a Grass Fire Truck. Just over \$25,000 of the granted amount had been expended toward the purchase and conversion of the truck by the end of 2006, and the remaining expense will be incurred in early 2007.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$256,073, or 21.94 percent, a significant change from the prior year. The reason for the considerable increase in the governmental net assets is due to debt proceeds of \$495,000 the Village incurred for capital acquisition and capital improvements. After 2005 expenditures, \$252,243 of proceeds of the debt remained in the Village's Capital Improvement funds for payment of anticipated capital assets and capital improvements.

Proceeds of debt incurred make up over 53.7 percent of the Village's general receipts for 2005. This includes debt for Capital Improvements, Fire Truck, and an OPWC loan for the South Street Reconstruction Project. Typically, however, the Village's general receipts are primarily property and municipal income taxes. These receipts represent 22.4 percent of the total cash received for governmental activities for during the year.

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Key highlights for 2005 are as follows: (continued)

Municipal income tax receipts for 2005 increased by 5.46 percent or \$13,448, compared to 2004.

Electric fund net assets decreased considerably due to transfer of funds to an Enterprise Reserve fund for future construction of an electric sub-station. Electric operations also had increased expenditures resulting from installation of an electrical distribution system in the village's new industrial park, and the purchase of a new truck. Net assets of the other enterprise funds, Water & Sewer operating, increased 4.26 percent and 18.36 percent respectively.

South Street was reconstructed at a cost of \$180,943. The project was funded through an OPWC grant of \$60,000, an OPWC loan in the amount of \$88,500, and assessments the Village expects to receive from property owners in 2006 for approximately \$29,000.

The Village also secured debt for \$495,000 to pay for the cost of capital acquisition and capital improvements; specifically for the purchase of land and building located at 105 East Bremen Street, and for construction of the infrastructure for the New Knoxville Industrial Park. Bids were accepted and a contract was awarded in June. Construction began in July, and is still underway.

Debt was incurred by the Village, in conjunction with Washington Township, for \$61,894 (Village's portion) for the purchase of a Tanker/Pumper for the New Knoxville, Washington Township Fire Department.

With the growing responsibilities the Village administration was undergoing, due in part to the development of an Industrial Park, council saw fit to create the position of Director of Public Works, into which Administrator Michael Geib was placed. Council simultaneously approved a two-year employment contract, placing Village Planner Stan Wietholter as Village Administrator.

Using the Basic Financial Statements

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

Report Components

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

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

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

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Basis of Accounting

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

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

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2006 and 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

Business-type activities. The Village has three business-type activities, the provision of water, sewer, and electric. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Reporting the Village's Most Significant Funds

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2006 are the General Fund, Street Fund, and Capital Improvements Fund. The Village's major governmental funds for 2005 are the General Fund, Capital Projects Fund, and Capital Improvements Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

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

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a modified cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$193,856	\$374,544	\$602,452	\$650,612	\$796,308	\$1,025,156
Total Assets	\$193,856	\$374,544	\$602,452	\$650,612	\$796,308	\$1,025,156
Net Assets						
Restricted for:						
Capital Projects	\$7,984	\$252,243	\$0	\$0	\$7,984	\$252,243
Debt Services	4,135	0	0	0	4,135	0
Other Purposes	79,994	43,688	0	0	79,994	43,688
Unrestricted	101,743	78,613	602,452	650,612	704,195	729,225
Total Net Assets	\$193,856	\$374,544	\$602,452	\$650,612	\$796,308	\$1,025,156

As mentioned previously, net assets of governmental activities decreased \$180,688, or 48.2 percent during 2006. The primary reason for this decrease is the inflated balance at the end of 2005 because of the proceeds of debt still held. Considerations are as follows:

- Village council approved 3 percent salary increases.
- The Village participated in the Bureau of Workers Compensation's Premium Discount Program in 2006, which resulted in a \$6,346 reimbursement of premiums. Savings notwithstanding, the Village still paid \$25,116 in premiums; an increase of \$5,176 or 25.9 percent over 2005. This greatly impacts the general fund in particular, but also affects street, water, sewer, and electric funds, and hinders the Village's ability to continue current services, or to offer new ones.
- Construction was completed on the Industrial Park water & sewer lines, streets, and electrical distribution system. This added to the decrease in net assets of the Business Type, or Proprietary Funds. In 2005, the electric department purchased a new truck.

Net assets of governmental activities increased \$256,073 or 21.9 percent during 2005.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities, business-type activities and total primary government.

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$80,033	\$87,219	\$1,106,626	\$996,714	\$1,186,659	\$1,083,933
Operating Grants and Contributions	42,129	62,229		3,050	\$42,129	\$65,279
Capital Grants and Contributions	55,379	97,987	20,613	20,850	\$75,992	\$118,837
Total Program Receipts	<u>177,542</u>	<u>247,435</u>	<u>1,127,240</u>	<u>1,020,614</u>	<u>1,304,781</u>	<u>1,268,049</u>
General Receipts:						
Property and Other Local Taxes	69,546	64,822	2,098	2,014	71,644	66,836
Income Taxes	285,219	259,544			285,219	259,544
Grants and Entitlements Not Restricted to Specific Programs	87,790	104,040			87,790	104,040
Notes Issued	25,032	645,394			25,032	645,394
Sale of Fixed Assets	1,100	97,945			1,100	97,945
Interest	41,439	20,381	3,327	1,744	44,766	22,125
Miscellaneous	6,445	9,901	3,857		10,302	9,901
Total General Receipts	<u>516,571</u>	<u>1,202,027</u>	<u>9,282</u>	<u>3,758</u>	<u>525,852</u>	<u>1,205,785</u>
Total Receipts	<u>694,112</u>	<u>1,449,462</u>	<u>1,136,521</u>	<u>1,024,372</u>	<u>1,830,634</u>	<u>2,473,834</u>
Disbursements:						
General Government	170,934	291,776			170,934	291,776
Security of Persons and Property:	106,750	116,882			106,750	116,882
Public Health Services	54	54			54	54
Leisure Time Activities	34,064	35,779			34,064	35,779
Basic Utilities	27,311	34,730			27,311	34,730
Transportation	61,320	96,596			61,320	96,596
Capital Outlay	366,036	566,509			366,036	566,509
Principal Retirement	57,687	13,606			57,687	13,606
Interest and Fiscal Charges	17,620	2,429			17,620	2,429
Other	35				35	
Water Operating			85,777	79,378	85,777	79,378
Electric Operating			954,871	857,234	954,871	857,234
Enterprise Reserve			0	0	0	0
Other Enterprise			177,022	171,019	177,022	171,019
Total Disbursements	<u>841,811</u>	<u>1,158,361</u>	<u>1,217,670</u>	<u>1,107,631</u>	<u>2,059,481</u>	<u>2,265,992</u>
Excess (Deficiency) Before Transfers	(147,699)	291,101	(81,149)	(83,258)	(228,848)	207,843
Transfers	(32,989)	(35,027)	32,989	35,027	0	0
Increase (Decrease) in Net Assets	<u>(180,688)</u>	<u>256,074</u>	<u>(48,160)</u>	<u>(48,231)</u>	<u>(228,848)</u>	<u>207,843</u>
Net Assets, January 1	374,544	118,470	650,612	698,843	1,025,156	817,313
Net Assets, December 31	<u>\$193,856</u>	<u>\$374,544</u>	<u>\$602,452</u>	<u>\$650,612</u>	<u>\$796,308</u>	<u>\$1,025,156</u>

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Governmental Activities Receipts and Disbursements

For 2006, program receipts represent only 25.6 percent of total receipts for governmental activities with the primary sources of revenue generally including restricted intergovernmental receipts such as motor vehicle license and gas tax money, revenue from refuse sales, and charges to Washington Township for fire and rescue services provided under contract.

For 2006, general receipts represent 74.4 percent of the Village's total receipts, 55.2 percent of the general receipts are municipal income taxes; other local taxes 13.4 percent, and state and federal grants and entitlements 17 percent. Interest and other receipts are somewhat insignificant and rather unpredictable sources of revenue.

For 2005, program receipts represent only 17.1 percent of total receipts for governmental activities with the primary sources of revenue generally including restricted intergovernmental receipts such as motor vehicle license and gas tax money, revenue from refuse sales, and charges to Washington Township for fire and rescue services provided under contract. In 2005 program receipts for the Village also included several grants, namely an OPWC grant for the South Street Reconstruction Project, FEMA grant money for ice storm damage, and FEMA and EMS grants for the Fire Department. Grant monies totaled \$83,870 or 33.9 percent of governmental program revenues for 2005.

For 2005, general receipts represent 82.9 percent of the Village's total receipts, and over 26.9 percent of the general receipts are property and municipal taxes; state and federal grants and entitlements make up 8.7 percent; Village incurred debt totals over 53.4 percent, and the sale of real estate 8.15 percent. Other receipts are somewhat insignificant and rather unpredictable revenue sources.

For 2006 and 2005, disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of administration, council, legal services, clerk-treasurer, and the municipal building, as well as internal services such as payroll and purchasing.

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

Business Type Receipts

In the business type activities program receipts account for 99.2 and 99.7 percent of the total receipts for 2006 and 2005, respectively. These receipts are comprised of charges for services, i.e. water and sewer charges.

General receipts in the business type activities represent .8 and .3 percent of the Village's total business receipts for 2006 and 2005 respectively.

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Governmental Activities

If you look at the 2006 Statement of Activities on page 15 and the 2005 Statement of Activities on page 25, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities (other than Capital Outlay) are for General Government and for Security of Persons and Property, which account for 20 percent and 13 percent, in 2006 and 25 and 10 percent in 2005 of all governmental disbursements, respectively. Capital Outlay, which includes land payment, vehicles for the Fire and Police Departments, and street construction, has the largest program disbursements for governmental activities at nearly 44 percent in 2006 and 49 percent in 2005. The next three columns of the Statement, entitled Program Receipts, identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
\$ 170,934	\$ 169,260	\$ 291,776	\$ 291,776
106,750	39,865	116,882	57,717
54	54	54	54
34,064	32,439	35,779	34,019
0	(280)	0	(7,628)
27,311	(9,092)	34,730	(15,134)
61,320	(9,354)	96,596	(32,422)
366,036	366,036	566,509	566,509
57,687	57,687	13,606	13,606
17,620	17,620	2,429	2,429
35	35	0	
<u>\$ 841,811</u>	<u>\$ 664,270</u>	<u>\$ 1,158,361</u>	<u>\$ 910,926</u>

The dependence upon property and income tax receipts is apparent as 79 percent in 2006 and 78 percent in 2005 of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$694,112 and disbursements of \$841,811 in 2006, not including transfers. The fund balance of the General Fund increased \$23,130 due, for the most part, to an unexpected increase in income tax receipts.

In 2006, General Fund receipts exceeded disbursements by \$137,800 indicating growth in income taxes as well as improvements the village has made in control, planning for 2007 and beyond capital and personnel expenditures.

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

The Village's Funds, continued

In 2005, total governmental funds had receipts of \$1,449,462 and disbursements of \$1,158,361. General Fund receipts were less than disbursements by \$ 48 indicating that the General Fund is in a deficit spending situation; as a result, General Fund limitations were paramount during the 2006 budgetary process.

Business-type Activities

Businesses type activities of the Village saw a decrease of 7.4 percent in net assets in 2006 due to continued construction of the Industrial Park and the new Westphalia Sub-Division infrastructure. Capital purchases were also made for a pick-up truck for the electric department and the Village purchased a new meter reading system. In 2005, Village council also approved by ordinance a transfer of \$250,000 into an Enterprise Reserve Fund for construction of an electrical sub-station to meet growing demands for reliable power.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General Fund, State Highway, and Capital Improvement funds in 2006 and the General Fund, Capital Projects, and Capital Improvement funds in 2005.

During 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a significant decrease in miscellaneous revenue. The difference between final budgeted receipts and actual receipts was \$49,339 due to larger than expected return on investments and to increased local and municipal income tax revenue.

For 2006, because of budgeting conservatively, final disbursements were budgeted at \$592,195 while actual disbursements were \$541,907, including transfers.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to greater earnings on investments. The difference between final budgeted receipts and actual receipts was \$45,995.

For 2005, final disbursements were budgeted at \$687,723 while actual disbursements were \$652,791.

Capital Assets and Debt Administration

Capital Assets

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

Debt

On December 31, 2006, the Village's outstanding debt totaled \$1,471,427. Included in this debt are unpaid street assessments of \$61,016; Revenue Bonds for \$320,000 for the water system; Water System Assessments for \$195,000; Issue II loan for the Village Water System for \$213,727; Issue II loans for street projects totaling \$156,675; and debt incurred for capital projects totaling \$525,009

Village of New Knoxville, Auglaize County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Current Issues

The desire of and challenge for New Knoxville Village is to continue to provide, and to expand quality services to the public while staying within the restrictions imposed by limited revenue. All departments have been advised to monitor spending carefully, to stay within budgeted goals, and to follow proper purchasing procedures, i.e. purchase orders, etc. Police, fire, and first responder services are essential to the safety and security of residents, but encumber a significant percentage of village resources. Village officials, under the recommendations of the Finance Committee, continue to monitor them to ensure needed services are available within budgetary restraints. The Village relies heavily on local taxes; but we have little industry to provide revenue. Even so, income tax revenues increased nearly 10 percent in 2006. The Village must continue to be diligent in finding revenue sources and prudent in expenditures while making every effort to provide quality public service. Village Finance Committee and administration plans to step up financial forecasting in 2007 and implement strategies to keep the Village on the right path. In addition, the Village continues to seek businesses for our new Industrial Park, and hopes to entice new home owners into our new Westphalia Sub-division.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Janet Hall, Clerk-Treasurer, Village of New Knoxville, 101 South Main St., New Knoxville, Ohio 45871.

Village of New Knoxville, Auglaize County
Statement of Net Assets - Modified Cash Basis
December 31, 2006

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Investments	193,856	602,452	796,308
<i>Total Assets</i>	<u>193,856</u>	<u>602,452</u>	<u>796,308</u>
Net Assets			
Restricted for:			
Capital Projects	7,984	0	7,984
Debt Service	4,135	0	4,135
Other Purposes	79,994	0	79,994
Unrestricted	<u>101,743</u>	<u>602,452</u>	<u>704,195</u>
<i>Total Net Assets</i>	<u>193,856</u>	<u>602,452</u>	<u>796,308</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	170,934	1,674			(169,260)		(169,260)
Security of Persons and Property	106,750	33,730		33,155	(39,865)		(39,865)
Public Health Services	54				(54)		(54)
Leisure Time Activities	34,064	1,625			(32,439)		(32,439)
Community Environment		280			280		280
Basic Utility Services	27,311	36,403			9,092		9,092
Capital Outlay	366,036				(366,036)		(366,036)
Transportation	61,320	6,321	42,129	22,224	9,354		9,354
Redemption of Principal	57,687				(57,687)		(57,687)
Interest and Fiscal Charges	17,620				(17,620)		(17,620)
Other	35				(35)		(35)
<i>Total Governmental Activities</i>	<u>841,811</u>	<u>80,033</u>	<u>42,129</u>	<u>55,379</u>	<u>(664,270)</u>	<u>0</u>	<u>(664,270)</u>
Business Type Activity							
Water Operating	85,777	97,525				11,748	11,748
Electric Operating	954,871	903,416				(51,455)	(51,455)
Enterprise Reserve						0	0
Other	177,022	105,685		20,613		(50,724)	(50,724)
<i>Total Business Type Activities</i>	<u>1,217,670</u>	<u>1,106,626</u>	<u>0</u>	<u>20,613</u>	<u>0</u>	<u>(90,431)</u>	<u>(90,431)</u>
Total	<u><u>2,059,481</u></u>	<u><u>1,186,659</u></u>	<u><u>42,129</u></u>	<u><u>75,992</u></u> #	<u><u>(664,270)</u></u> #	<u><u>(90,431)</u></u> #	<u><u>(754,701)</u></u>
General Receipts							
Property Taxes Levied for:							
					34,031		34,031
					35,515	2,098	37,613
					285,219		285,219
					87,790		87,790
					25,032		25,032
					1,100		1,100
					41,439	3,327	44,766
					6,445	3,857	10,302
<i>Total General Receipts</i>					<u>516,571</u>	<u>9,282</u>	<u>525,853</u>
Transfers					(32,989)	32,989	0
Total General Receipts, Special Item, Transfers and Advances					<u>483,582</u>	<u>42,271</u>	<u>525,853</u>
Change in Net Assets					(180,688)	(48,160)	(228,848)
<i>Net Assets Beginning of Year</i>					<u>374,544</u>	<u>650,612</u>	<u>1,025,156</u>
<i>Net Assets End of Year</i>					<u><u>193,856</u></u>	<u><u>602,452</u></u>	<u><u>796,308</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Street Construction Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	101,743	50,893	7,984	33,236	193,856
<i>Total Assets</i>	<u>101,743</u>	<u>50,893</u>	<u>7,984</u>	<u>33,236</u>	<u>193,856</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	1,476	227	0	3,407	5,110
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	100,267				100,267
Special Revenue Funds		50,666		25,694	76,360
Debt Service Fund				4,135	4,135
Capital Projects Funds			7,984		7,984
Permanent Fund					
<i>Total Fund Balances</i>	<u>101,743</u>	<u>50,893</u>	<u>7,984</u>	<u>33,236</u>	<u>193,856</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Street Construction Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$285,219				\$285,219
Property and Other Local Taxes	69,546			6,321	75,867
Special Assessments		10,730		11,494	22,224
Charges for Services	67,356				67,356
Fines, Licenses and Permits	6,356				6,356
Intergovernmental	87,790	38,972		36,312	163,074
Interest	39,749	828		862	41,439
Miscellaneous	6,445				6,445
<i>Total Receipts</i>	<u>562,461</u>	<u>50,530</u>	<u>0</u>	<u>54,989</u>	<u>667,980</u>
Disbursements					
Current:					
General Government	170,934				170,934
Security of Persons and Property	96,220			10,530	106,750
Public Health Services	54				54
Leisure Time Activities	34,064				34,064
Basic Utility Services	27,311				27,311
Transportation		50,488		10,832	61,320
Capital Outlay	83,417	31,161	226,439	25,019	366,036
Debt Service:					
Principal Retirement	11,405			46,282	57,687
Interest and Fiscal Charges	2,256			15,364	17,620
<i>Total Disbursements</i>	<u>425,661</u>	<u>81,649</u>	<u>226,439</u>	<u>108,027</u>	<u>841,776</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>136,800</u>	<u>(31,119)</u>	<u>(226,439)</u>	<u>(53,038)</u>	<u>(173,796)</u>
Other Financing Sources (Uses)					
Notes Issued		17,197		7,835	25,032
Sale of Capital Assets	1,100				1,100
Transfers In		49,000		50,566	99,566
Transfers Out	(114,735)		(17,820)		(132,555)
Other Financing Uses	(35)				(35)
<i>Total Other Financing Sources (Uses)</i>	<u>(113,670)</u>	<u>66,197</u>	<u>(17,820)</u>	<u>58,401</u>	<u>(6,892)</u>
<i>Net Change in Fund Balances</i>	23,130	35,078	(244,259)	5,363	(180,688)
<i>Fund Balances Beginning of Year</i>	<u>78,613</u>	<u>15,815</u>	<u>252,243</u>	<u>27,873</u>	<u>374,544</u>
<i>Fund Balances End of Year</i>	<u>\$101,743</u>	<u>\$50,893</u>	<u>\$7,984</u>	<u>\$33,236</u>	<u>\$193,856</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, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	260,000	260,000	285,219	25,219
Property and Other Local Taxes	60,284	64,267	69,546	5,279
Charges for Services	75,600	75,600	67,356	(8,244)
Fines, Licenses and Permits	6,100	6,100	6,356	256
Intergovernmental	90,238	90,255	87,790	(2,465)
Interest	15,000	15,000	39,749	24,749
Miscellaneous	32,179	3,000	6,445	3,445
<i>Total receipts</i>	<u>539,401</u>	<u>514,222</u>	<u>562,461</u>	<u>48,239</u>
Disbursements				
Current:				
General Government	183,491	193,441	172,246	21,195
Security of Persons and Property	119,570	117,882	96,373	21,509
Public Health Services	60	60	54	6
Leisure Time Activities	45,661	39,770	34,075	5,695
Community Environment				0
Basic Utility Services	28,540	28,540	27,311	1,229
Capital Outlay	80,487	83,782	83,417	365
Debt Service:				
Principal Retirement	11,405	11,405	11,405	0
Interest and Fiscal Charges	2,256	2,256	2,256	0
<i>Total Disbursements</i>	<u>471,470</u>	<u>477,136</u>	<u>427,137</u>	<u>49,999</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>67,931</u>	<u>37,086</u>	<u>135,324</u>	<u>98,238</u>
Other Financing Sources (Uses)				
Sale of Capital Assets			1,100	1,100
Transfers Out	(112,225)	(114,970)	(114,735)	235
Other Financing Uses		(89)	(35)	54
<i>Total Other Financing Sources (Uses)</i>	<u>(112,225)</u>	<u>(115,059)</u>	<u>(113,670)</u>	<u>1,389</u>
<i>Net Change in Fund Balance</i>	(44,294)	(77,973)	21,654	99,627
<i>Fund Balance Beginning of Year</i>	44,083	44,083	44,083	0
Prior Year Encumbrances Appropriated	<u>34,530</u>	<u>34,530</u>	<u>34,530</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>34,319</u></u>	<u><u>640</u></u>	<u><u>100,267</u></u>	<u><u>99,627</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		Actual	(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Property and Other Local Taxes	2,625	2,625		(2,625)
Special Assessments	28,900	28,900	10,730	(18,170)
Intergovernmental	37,000	37,000	38,973	1,973
Interest	3,000	3,000	828	(2,172)
<i>Total receipts</i>	<u>71,525</u>	<u>71,525</u>	<u>50,531</u>	<u>(20,994)</u>
Disbursements				
Current:				
Transportation	121,486	81,628	50,715	30,913
Capital Outlay	5,800	41,800	31,161	10,639
<i>Total Disbursements</i>	<u>127,286</u>	<u>123,428</u>	<u>81,876</u>	<u>41,552</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(55,761)</u>	<u>(51,903)</u>	<u>(31,345)</u>	<u>20,558</u>
Other Financing Sources (Uses)				
Notes Issued			17,197	17,197
Transfers In	49,000	49,000	49,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>49,000</u>	<u>49,000</u>	<u>66,197</u>	<u>17,197</u>
<i>Net Change in Fund Balance</i>	(6,761)	(2,903)	34,852	37,755
<i>Fund Balance Beginning of Year</i>	972	972	972	0
Prior Year Encumbrances Appropriated	14,843	14,843	14,843	0
<i>Fund Balance End of Year</i>	<u>9,054</u>	<u>12,912</u>	<u>50,667</u>	<u>37,755</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
Capital Improvement Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Intergovernmental	0	0	0	0
<i>Total receipts</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Disbursements				
Capital Outlay	204,822	234,422	226,439	7,983
<i>Total Disbursements</i>	<u>204,822</u>	<u>234,422</u>	<u>226,439</u>	<u>7,983</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(204,822)</u>	<u>(234,422)</u>	<u>(226,439)</u>	<u>7,983</u>
Other Financing Sources (Uses)				
Transfers Out	0	(17,820)	(17,820)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(17,820)</u>	<u>(17,820)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(204,822)	(252,242)	(244,259)	7,983
<i>Fund Balance Beginning of Year</i>	217,421	217,421	217,421	0
Prior Year Encumbrances Appropriated	<u>34,822</u>	<u>34,822</u>	<u>34,822</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$47,421</u></u>	<u><u>\$1</u></u>	<u><u>\$7,984</u></u>	<u><u>\$7,983</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2006

	Business-Type Activities				
	Water Enterprise Fund	Electric Enterprise Fund	Enterprise Reserve Fund	Other Enterprise Fund	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Investments	90,662	182,186	250,000	79,604	602,452
<i>Total Assets</i>	<u>90,662</u>	<u>182,186</u>	<u>250,000</u>	<u>79,604</u>	<u>602,452</u>
Net Assets					
Unrestricted	<u>90,662</u>	<u>182,186</u>	<u>250,000</u>	<u>79,604</u>	<u>602,452</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006

	Business-Type Activities				Total Enterprise Funds
	Water Enterprise Fund	Electric Enterprise Fund	Enterprise Reserve Fund	Other Enterprise Fund	
Operating Receipts					
Charges for Services	97,525	903,416		105,685	1,106,626
Other Operating Receipts					
<i>Total Operating Receipts</i>	<u>97,525</u>	<u>903,416</u>	<u>0</u>	<u>105,685</u>	<u>1,106,626</u>
Operating Disbursements					
Personal Services	34,743	91,110		24,953	150,806
Fringe Benefits	14,072	42,851		7,052	63,975
Contractual Services	21,656	716,522		19,351	757,529
Materials and Supplies	13,192	27,699		14,970	55,861
Other		2,098		4,750	6,848
<i>Total Operating Disbursements</i>	<u>83,663</u>	<u>880,280</u>	<u>0</u>	<u>71,076</u>	<u>1,035,019</u>
<i>Operating Income (Loss)</i>	13,862	23,136	0	34,609	71,607
Non-Operating Receipts					
Property and Other Local Taxes		2,098			2,098
Special Assessments				20,613	20,613
Earnings on Investments				3,327	3,327
Miscellaneous		3,857			3,857
Capital Outlay	(2,114)	(74,591)		(36,036)	(112,741)
Reduction of Principal				(40,266)	(40,266)
Interest and Fiscal Charges				(29,644)	(29,644)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(2,114)</u>	<u>(68,636)</u>	<u>0</u>	<u>(82,006)</u>	<u>(152,756)</u>
<i>Income (Loss) before Transfers and Advances</i>	11,748	(45,500)	0	(47,397)	(81,149)
Transfers In				48,256	48,256
Transfers Out	(15,267)				(15,267)
<i>Change in Net Assets</i>	(3,519)	(45,500)	0	859	(48,160)
<i>Net Assets Beginning of Year</i>	<u>94,181</u>	<u>227,686</u>	<u>250,000</u>	<u>78,745</u>	<u>650,612</u>
<i>Net Assets End of Year</i>	<u>90,662</u>	<u>182,186</u>	<u>250,000</u>	<u>79,604</u>	<u>602,452</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
Agency fund
December 31, 2006

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>83</u>
<i>Total Assets</i>	\$ <u><u>83</u></u>
Net Assets:	
Restricted	\$ <u>83</u>
<i>Total Net Assets</i>	\$ <u><u>83</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	374,544	650,612	1,025,156
<i>Total Assets</i>	<u>374,544</u>	<u>650,612</u>	<u>1,025,156</u>
Net Assets			
Restricted for:			
Capital Projects	252,243	0	252,243
Other Purposes	43,688	0	43,688
Unrestricted	78,613	650,612	729,225
<i>Total Net Assets</i>	<u>374,544</u>	<u>650,612</u>	<u>1,025,156</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	291,776		0	0	(291,776)	0	(291,776)
Security of Persons and Property	116,882	50,629	0	8,536	(57,717)	0	(57,717)
Public Health Services	54	0	0	0	(54)	0	(54)
Leisure Time Activities	35,779	1,760	0	0	(34,019)	0	(34,019)
Community Environment	0	300	7,328	0	7,628	0	7,628
Basic Utility Services	34,730	34,530	15,334	0	15,134	0	15,134
Capital Outlay	566,509	0	0	0	(566,509)		(566,509)
Transportation	96,596	0	39,567	89,451	32,422	0	32,422
Redemption of Principal	13,606	0	0	0	(13,606)		(13,606)
Interest and Fiscal Charges	2,429	0	0	0	(2,429)	0	(2,429)
<i>Total Governmental Activities</i>	1,158,361	87,219	62,229	97,987	(910,926)	0	(910,926)
Business Type Activity							
Water Operating	79,378	98,494	0	0	0	19,116	19,116
Electric Operating	857,234	793,097	3,050	0	0	(61,087)	(61,087)
Enterprise Reserve	0	0	0	0	0	0	0
Other	171,019	105,123	0	20,850	0	(45,046)	(45,046)
<i>Total Business Type Activities</i>	1,107,631	996,714	3,050	20,850	0	(87,017)	(87,017)
Total	<u>2,265,992</u>	<u>1,083,933</u>	<u>65,279</u>	<u>118,837</u>	<u>(910,926)</u>	<u>(87,017)</u>	<u>(997,943)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					28,448	0	28,448
Other Taxes					36,374	2,014	38,388
Municipal Income Taxes					259,544	0	259,544
Grants and Entitlements not Restricted to Specific Programs					104,040	0	104,040
Notes Issued					645,394		645,394
Sale of Capital Assets					97,945	0	97,945
Interest					20,381	1,745	22,126
Miscellaneous					9,901	0	9,901
<i>Total General Receipts</i>					1,202,027	3,759	1,205,786
Transfers					(35,027)	35,027	0
Total General Receipts, Special Item, Transfers and Advances					<u>1,167,000</u>	<u>38,786</u>	<u>1,205,786</u>
Change in Net Assets					256,074	(48,231)	207,843
<i>Net Assets Beginning of Year</i>					<u>118,470</u>	<u>698,843</u>	<u>817,313</u>
<i>Net Assets End of Year</i>					<u>374,544</u>	<u>650,612</u>	<u>1,025,156</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Capital Projects Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	78,613	0	252,243	43,688	374,544
<i>Total Assets</i>	<u>78,613</u>	<u>0</u>	<u>252,243</u>	<u>43,688</u>	<u>374,544</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	34,530	0	34,822	31,973	101,325
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	44,083				44,083
Special Revenue Funds				11,715	11,715
Capital Projects Funds			217,421		217,421
<i>Total Fund Balances</i>	<u>78,613</u>	<u>0</u>	<u>252,243</u>	<u>43,688</u>	<u>374,544</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Capital Projects Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$259,544				\$259,544
Property and Other Local Taxes	64,822			2,382	67,204
Special Assessments				12,286	12,286
Charges for Services	80,735				80,735
Fines, Licenses and Permits	6,484				6,484
Intergovernmental	111,368	60,000		78,220	249,588
Interest	17,379			3,002	20,381
Miscellaneous	9,901				9,901
<i>Total Receipts</i>	<u>550,233</u>	<u>60,000</u>	<u>0</u>	<u>95,890</u>	<u>706,123</u>
Disbursements					
Current:					
General Government	285,706			6,070	291,776
Security of Persons and Property	106,942			9,940	116,882
Public Health Services	54				54
Leisure Time Activities	35,779				35,779
Basic Utility Services	26,096			8,634	34,730
Transportation				96,596	96,596
Capital Outlay	78,857	148,500	339,152		566,509
Debt Service:					
Principal Retirement				13,606	13,606
Interest and Fiscal Charges				2,429	2,429
<i>Total Disbursements</i>	<u>533,434</u>	<u>148,500</u>	<u>339,152</u>	<u>137,275</u>	<u>1,158,361</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>16,799</u>	<u>(88,500)</u>	<u>(339,152)</u>	<u>(41,385)</u>	<u>(452,238)</u>
Other Financing Sources (Uses)					
Notes Issued	61,894	88,500	495,000		645,394
Sale of Capital Assets	1,550		96,395		97,945
Transfers In	4,536			49,800	54,336
Transfers Out	(84,827)			(4,536)	(89,363)
<i>Total Other Financing Sources (Uses)</i>	<u>(16,847)</u>	<u>88,500</u>	<u>591,395</u>	<u>45,264</u>	<u>708,312</u>
<i>Net Change in Fund Balances</i>	(48)	0	252,243	3,879	256,074
<i>Fund Balances Beginning of Year</i>	<u>78,661</u>			<u>39,809</u>	<u>118,470</u>
<i>Fund Balances End of Year</i>	<u>\$78,613</u>	<u>\$0</u>	<u>\$252,243</u>	<u>\$43,688</u>	<u>\$374,544</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, 2005

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	230,000	230,000	259,544	29,544
Property and Other Local Taxes	58,904	58,932	64,822	5,890
Charges for Services	75,149	75,149	80,735	5,586
Fines, Licenses and Permits	3,600	3,600	6,484	2,884
Intergovernmental	100,635	100,607	111,368	10,761
Interest	5,000	9,100	17,379	8,279
Miscellaneous	5,000	5,001	9,901	4,900
<i>Total receipts</i>	<u>478,288</u>	<u>482,389</u>	<u>550,233</u>	<u>67,844</u>
Disbursements				
Current:				
General Government	299,923	312,005	294,491	17,514
Security of Persons and Property	179,961	124,431	112,341	12,090
Public Health Services	100	100	54	46
Leisure Time Activities	38,771	40,961	36,277	4,684
Basic Utility Services	31,000	28,636	28,636	0
Capital Outlay	0	96,165	96,165	0
<i>Total Disbursements</i>	<u>549,755</u>	<u>602,298</u>	<u>567,964</u>	<u>34,334</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(71,467)</u>	<u>(119,909)</u>	<u>(17,731)</u>	<u>102,178</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	55,000	0	1,550	1,550
Transfers In	0	0	4,536	4,536
Transfers Out	(46,425)	(85,425)	(84,827)	598
Notes Issued		181,819	61,894	(119,925)
<i>Total Other Financing Sources (Uses)</i>	<u>8,575</u>	<u>96,394</u>	<u>(16,847)</u>	<u>(113,241)</u>
<i>Net Change in Fund Balance</i>	<u>(62,892)</u>	<u>(23,515)</u>	<u>(34,578)</u>	<u>(11,063)</u>
<i>Fund Balance Beginning of Year</i>	28,110	28,110	28,110	0
Prior Year Encumbrances Appropriated	<u>50,551</u>	<u>50,551</u>	<u>50,551</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>15,769</u>	<u>55,146</u>	<u>44,083</u>	<u>(11,063)</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
Capital Projects
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	60,000	60,000	60,000	0
<i>Total receipts</i>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>0</u>
Disbursements				
Capital Outlay	148,500	148,500	148,500	0
<i>Total Disbursements</i>	<u>148,500</u>	<u>148,500</u>	<u>148,500</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(88,500)</u>	<u>(88,500)</u>	<u>(88,500)</u>	<u>0</u>
Other Financing Sources (Uses)				
Notes Issued	88,500	88,500	88,500	0
<i>Total Other Financing Sources (Uses)</i>	<u>88,500</u>	<u>88,500</u>	<u>88,500</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Capital Improvement Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental		0	0	0
<i>Total receipts</i>	0	0	0	0
Disbursements				
Capital Outlay	373,974	373,974	339,152	34,822
<i>Total Disbursements</i>	373,974	373,974	339,152	34,822
<i>Excess of Receipts Over (Under) Disbursements</i>	(373,974)	(373,974)	(339,152)	34,822
Other Financing Sources (Uses)				
Sale of Capital Assets	96,395	96,395	96,395	0
Notes Issued	495,000	495,000	495,000	0
<i>Total Other Financing Sources (Uses)</i>	591,395	591,395	591,395	0
<i>Net Change in Fund Balance</i>	217,421	217,421	252,243	34,822
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$217,421</u>	<u>\$217,421</u>	<u>\$252,243</u>	<u>\$34,822</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities				
	Water Enterprise Fund	Electric Enterprise Fund	Enterprise Reserve Fund	Other Enterprise Fund	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Investments	94,181	227,686	250,000	78,745	650,612
<i>Total Assets</i>	<u>94,181</u>	<u>227,686</u>	<u>250,000</u>	<u>78,745</u>	<u>650,612</u>
Net Assets					
Unrestricted	<u>94,181</u>	<u>227,686</u>	<u>250,000</u>	<u>78,745</u>	<u>650,612</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities				Total Enterprise Funds
	Water Enterprise Fund	Electric Enterprise Fund	Enterprise Reserve Fund	Other Enterprise Fund	
Operating Receipts					
Charges for Services	98,494	793,097		105,123	996,714
Other Operating Receipts					0
<i>Total Operating Receipts</i>	<u>98,494</u>	<u>793,097</u>	<u>0</u>	<u>105,123</u>	<u>996,714</u>
Operating Disbursements					
Personal Services	32,905	73,337		20,005	126,247
Fringe Benefits	5,987	38,279		4,636	48,902
Contractual Services	21,080	671,412		18,737	711,229
Materials and Supplies	18,633	28,867		5,100	52,600
Other		2,115		3,590	5,705
<i>Total Operating Disbursements</i>	<u>78,605</u>	<u>814,010</u>	<u>0</u>	<u>52,068</u>	<u>944,683</u>
<i>Operating Income (Loss)</i>	19,889	(20,913)	0	53,055	52,031
Non-Operating Receipts					
Property and Other Local Taxes		2,014			2,014
Intergovernmental		3,050			3,050
Special Assessments				20,850	20,850
Earnings on Investments				1,745	1,745
Capital Outlay	(773)	(43,224)		(16,433)	(60,430)
Reduction of Principal				(70,341)	(70,341)
Interest and Fiscal Charges				(32,177)	(32,177)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(773)</u>	<u>(38,160)</u>	<u>0</u>	<u>(96,356)</u>	<u>(135,289)</u>
<i>Income (Loss) before Transfers and Advances</i>	19,116	(59,073)	0	(43,301)	(83,258)
Transfers In			250,000	50,293	300,293
Transfers Out	(15,266)	(250,000)			(265,266)
<i>Change in Net Assets</i>	3,850	(309,073)	250,000	6,992	(48,231)
<i>Net Assets Beginning of Year</i>	<u>90,331</u>	<u>536,759</u>	<u>0</u>	<u>71,753</u>	<u>698,843</u>
<i>Net Assets End of Year</i>	<u>94,181</u>	<u>227,686</u>	<u>250,000</u>	<u>78,745</u>	<u>650,612</u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Statement of Fiduciary net Assets - Modified Cash Basis
Fiduciary Funds
Agency fund
December 31, 2005

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>0</u>
<i>Total Assets</i>	\$ <u><u>0</u></u>
Net Assets:	
Restricted	\$ <u>0</u>
<i>Total Net Assets</i>	\$ <u><u>0</u></u>

See accompanying notes to the basic financial statements

Village of New Knoxville, Auglaize County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

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

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, and electric utilities, maintenance of Village roads and bridges, park operations, and part-time police services.

B. Component Units

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

The New Knoxville Community Improvement Corporation is reported separately to emphasize that it is legally separate from the Village. Note 16 to the financial statements will provide additional information for this entity.

New Knoxville Community Corporation

New Knoxville Community Improvement Corporation (CIC) was created as a not for profit corporation under Sections 1724.01 et. seq., under the Ohio Rev. Code. The CIC is governed by a board of Trustees. The CIC provides services to the Village by providing opportunities for development to strengthen employment and economic development for the Village. Financial Statements for the CIC are available from Janet Hall, Clerk/Treasurer, PO Box 246, New Knoxville, Ohio 45871 or calling 419-753-4501.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 1 – Reporting Entity (continued)

C. Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in two jointly governed organizations, one public entity risk pool, and one member service area/pool. Notes 14 – 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Auglaize County Emergency Management Cooperative
Auglaize County Revolving Loan Fund Board

Public Entity Risk Pools, Any Pools:

The Ohio Plan
American Municipal Power Ohio

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements, continued

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

Fund Financial Statements

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

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Village has no internal service funds. Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

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

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds for 2006 were the general fund, street fund, and the capital improvements fund. The Village's major governmental funds for 2005 were the general fund, capital projects, and the capital improvements fund.

General Fund - is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street fund - accounts for gasoline and vehicle registration tax revenue and expenses related to street construction, maintenance, and repair.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds, continued

Capital improvement fund - accounts for revenue and/or proceeds of loans for and acquisition of capital assets.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

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

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, 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 modified 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
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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 2006 and 2005, the Village invested in nonnegotiable certificates of deposit, U.S. Treasury Bills, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and Star Ohio. The Village's money market fund investment is recorded at the amount reported by the Village's financial institutions on December 31.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments, continued

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

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 2006 were \$39,749 and \$17,379 for 2005.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village did not report any restricted assets at December 31, 2006 or 2005.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees, are entitled to 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

The Village recognizes the cash disbursement for their employer contributions to cost sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

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

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

L. Net Assets

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

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

M. Fund Balance Reserves

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

N. Interfund Transactions

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

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

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last audit period the Village reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the State Auditor's Office. This period the Village has implemented the modified cash basis of accounting. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of equity due to this change.

Note 4 – 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 – Budgetary Basis presented for the general fund, street fund, and capital improvements fund for 2006 and for the general fund, capital projects fund, and capital improvements fund for 2005, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 4 – Budgetary Basis of Accounting (continued)

The encumbrances outstanding at December 31, 2006 (budget basis) amounted to \$1,476 for the general fund and \$226 for the street fund. Encumbrances outstanding at December 31, 2005 (budget basis) amounted to \$34,530 for the general fund and \$34,822 for the capital improvement fund.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 5 – Deposits and Investments (continued)

7. The State Treasurer’s investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

Deposits

At year-ended December 31, 2006, the carrying amount of the Village’s deposits was \$231,443, and the bank balance was \$237,269. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures” \$136,969 was exposed to custodial risk as discussed below, while \$100,300 was covered by federal depository insurance corporation. At year-ended December 31, 2005, the carrying amount of the Village’s deposits was \$439,819, and the bank balance was \$465,925. Of the bank balance \$265,925 was exposed to custodial risk as discussed below, while \$200,000 was covered by federal depository insurance corporation.

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

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

Investments

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

	2006	2005	
	Carrying	Carrying	Maturity
	Value	Value	
5/3 US Treasury MM Fund	\$ 9,719	\$ 1,724	04/30/2020
5/3 US Treasury MM Fund	35,317	35,231	10/07/2020
STAR Ohio	519,712	548,182	Average
Total Portfolio	<u>\$564,748</u>	<u>\$585,137</u>	

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 5 – Deposits and Investments (continued)

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

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

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

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

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

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

	<u>2006</u>	<u>2005</u>
Investment (summarized above)	\$564,748	\$ 585,137
Carrying amount of Village’s deposits	231,360	439,819
Petty Cash	200	200
Pooled Cash and Investments – Statement of Net Assets	\$796,308	\$1,025,156

Note 6 – Income Taxes

The Village levies a 1.5 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 1.5 percent of the 1.5 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax collections were \$285,219 and 259,544 for 2006 and 2005, respectively.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due February 15, with the remainder payable by July 14.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005 on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006 and 2005, was \$2.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

Real Property:	2006	2005
Agricultural/Residential	\$9,884,970	9,779,790
Other	\$1,817,410	1,805,080
Tangible Personal Property:		
Public Utilities Real	\$ 67,460	66,550
General	\$2,141,034	1,789,749
Total Assessed Value	\$13,910,874	11,659,169

Note 8 – Risk Management

The Village is insured through the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 460 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services.

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.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 8 – Risk Management (continued)

During 2006 and 2005, the Village contracted for various types of insurance coverage as follows:

Type of Coverage	Amount of Coverage
Commercial Property	\$4,027,535
General Liability	\$1,000,000/\$3,000,000ag
Commercial Crime	\$1,000 - \$5,000
Inland marine	\$341,384
Vehicle	\$1,000,000
Errors and Omissions	\$1,000,000
Public Officials	\$1,000,000
Fidelity and Deposit	\$5,000/\$35,000ag

There have been no significant reductions in insurance coverage during 2006 or 2005. Settled claims have not exceeded commercial excess coverage in any of the past three years.

The Plan issues its own policies and reinsures the Plans with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% of \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which may vary from member to member.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets liabilities and retained earnings at December 31, 2005 and 2004 (latest available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

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

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 9 – Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 OR (800)222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.70 percent (9.2% to pension, 4.5% to fund health care). The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$ 26,989, \$26,165, and \$23,517 respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$ 791.43 made by the Village and \$519.94 made by the plan members.

Note 10 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and 13.55 percent, respectively of covered payroll; 4.5 and 4.00 percent of covered payroll was the portion that was used to fund health care in 2006 and 2005, respectively.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 10 – Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 6 percent annually for the next nine years and 4.00 percent annually after ten years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was \$379,109. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.1 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 11 - Debt

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
Industrial Park Note	3.600%	495,000	0	20,000	475,000	20,000
Fire Truck	3.698%	61,894	0	11,885	50,009	12,265
2006 OPWC Loan, South St. (Original Amount \$88,500.00)	0%	88,500	0	4,425	84,075	4,425
2003 OPWC Loan, Botkins/Angle St. (Original Amount \$24,000.00)	0%	19,800	0	1,200	18,600	1,200
2001 OPWC Loan, Mill St. (Original Amount \$72,000.00)	0%	57,600	0	3,600	54,000	3,600
Street Assessment Notes	3.125- 5.75%	52,561	25,032	16,577	61,016	8,900
Total Governmental Activities		\$775,355	\$25,032	\$7,687	\$742,700	\$50,390

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 11 – Debt (continued)

Business-Type Activities

1999 Mortgage Revenue Bonds (Original Amount \$380,000)	4.7%	335,000	0	15,000	320,000	15,000
General Obligation Bonds, WW (Original Amount \$250,000)	4.9%	205,000	0	10,000	195,000	10,000
OPWC Water Works (Original Amount \$305,324.41)	0%	228,993	0	15,266	213,727	15,266
Total Business-type Activities		\$768,993	\$0	\$40,266	\$728,727	\$40,266

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Interest Rate %</u>	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>						
Industrial Park Note	3.600	0	495,000	0	495,000	\$37,260
Fire Truck Note	3.698	0	61,894	0	61,894	\$13,661
2005 OPWC Loan, South St. (Original Amount \$88,500.00)	0	0	88,500	0	88,500	\$2,212
2003 OPWC Loan, Botkins/Angle St. (Original Amount \$24,000.00)	0	21,000	0	1,200	19,800	\$1,200
2001 OPWC Loan, Mill St. (Original Amount \$72,000.00)	0	61,200	0	3,600	57,600	\$3,600
Street Assessment Notes	1.375-5.75	61,367	0	8,806	52,561	\$8,806
Total Governmental Activities		\$143,567	\$645,394	\$13,606	\$775,355	\$66,739
<u>Business-Type Activities</u>						
1999 Mortgage Revenue Bonds (Original Amount \$380,000)	4.7	350,000	0	15,000	335,000	\$15,000
General Obligation Bonds, WW (Original Amount \$250,000)	4.9	215,000	0	10,000	205,000	\$10,000
OPWC Water Works (Original Amount \$305,324.41)	0	244,259	0	15,266	228,993	\$15,266
Sewer Note	2.45	30,075	0	30,075	0	\$0
Total Business-type Activities		\$839,334	\$0	70,341	\$768,993	\$40,266

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

The Village and Washington Township acquired a joint note for the purchase of a Fire Truck in 2005, \$61,894 being the Village portion. The note matures on April 25, 2010. Principal and interest are payable in five annual payments of \$13,661 beginning on April 25, 2006.

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

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 11 – Debt (continued)

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

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

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as an Enterprise debt service fund.

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

The Ohio Public Works Commission (OPWC) Water Works Loan was issued for the Village water supply system project. The 0% interest loan will be repaid over a twenty-year term, as reflected below, by revenue generated by the waterworks system. Principal amount is transferred annually from the water fund to individual debt service fund for repayment.

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

Year	OPWC Street Loans	Special Assessment Notes	General Obligation Bonds	Mortgage Revenue Bonds	Other Notes	OPWC Water Works
2007	\$9,225	\$11,889	\$20,775	\$33,170	\$50,401	\$15,266
2008	\$9,225	\$11,577	\$20,263	\$32,413	\$74,232	\$15,266
2009	\$9,225	\$10,475	\$19,748	\$31,640	\$72,611	\$15,266
2010	\$9,225	\$10,310	\$19,228	\$30,853	\$70,991	\$15,266
2011	\$9,225	\$8,337	\$18,703	\$35,050	\$55,710	\$15,266
2012 – 2016	\$46,125	\$23,744	\$107,733	\$163,570	\$290,530	\$76,331
2017 – 2021	\$46,125		\$80,740	\$159,780		\$61,066
2022 – 2026	\$18,300					
Totals	\$156,675	\$76,332	\$287,190	\$486,476	\$614,475	\$213,727

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$703,741 and an unvoted debt margin of \$118,622.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 11– Interfund Transfers

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

During 2006, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Major Governmental Fund	\$ 49,000
Other Governmental Funds	\$ 32,746
Other Enterprise Funds	\$ 32,989
Total Transfers from the General Fund	\$114,736
 <i>Transfer from Capital Improvements Fund to:</i>	
Sinking Fund for Debt Payment	\$17,820
 <i>Transfers from Water Fund to:</i>	
Debt Service Fund for WW Note Retirement	\$ 15,267

Other transfers include:

- 1) Annual transfer of \$15,266 from water fund to Debt Service Fund for repayment of debt.
- 2) Transfer from Capital Improvements Fund to Sinking Fund for debt payment per bond covenant.

During 2005 the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Other Governmental Funds	\$ 49,800
Other Enterprise Funds	\$ 35,027
Total Transfers from the General Fund	\$ 84,827
 <i>Transfers from Federal Grant Fund to:</i>	
General Fund	\$ 4,536
 <i>Transfers from Water Fund to:</i>	
Debt Service Fund for WW Note Retirement	\$ 15,266
 <i>Transfer from Electric Fund to:</i>	
Enterprise Capital Reserve Fund	\$250,000

Other transfers include:

- 3) Transfer of \$4,536 from the FEMA fund 2051 (Fire Department Grant) to reimburse the general fund.
- 4) Annual transfer of \$15,266 from water fund to Debt Service Fund for repayment of debt.
- 5) Transfer of \$250,000 from the electric fund to Enterprise capital reserve fund for future construction of an electrical sub-station.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 13 – Contingent Liabilities

The Village is not party to any ongoing litigation.

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

Note 14 – Jointly Governed Organizations

- AUGLAIZE COUNTY EMERGENCY MANAGEMENT COOPERATIVE

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

- AUGLAIZE COUNTY REVOLVING LOAN FUND BOARD

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

Note 15 – Public Entity Risk Pool

- THE OHIO PLAN

The Ohio Plan is a risk pooling group providing property and casualty insurance coverage for small political subdivisions including villages, and is governed by a Board of Directors comprised of public officials selected from the membership. The Board contracts with an administrator, which provides sales, service, underwriting, risk control, accounting, and claims service for the Plan.

The purpose of the Ohio Plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; (Ohio Revised Code 2744) to prevent or lessen the incidence and severity of losses occurring from the activities of the members; and to defend and protect members of the Ohio Plan against allegations of negligence or loss.

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides, Property, Liability, Wrongful Acts, Law Enforcement, Automobile, Bond, Crime, Inland Marine, Fire Vehicle RC, EDP, Governmental Medical Liability, Employee Benefits Liability, and Automobile Liability, and other coverage's. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

Village of New Knoxville
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 15 – Public Entity Risk Pool (continued)

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

- AMERICAN MUNICIPAL POWER

AMP-Ohio is a nonprofit corporation organized for the purpose of owning and operating electric facilities or otherwise providing for the generation, transmission and distribution of electric power and energy to its members, public power communities in Ohio, Pennsylvania, Michigan, Virginia, and West Virginia. Today, this purpose is served by coordinating, negotiating and developing power-supply options and interconnection agreements.

AMP-Ohio purchases wholesale electric power and energy, and sells it to members at rates based on the purchase price and dispatch fees plus a small service fee. The organization also develops alternative power resources in order to meet the short- and long-term needs of its members.

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

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

Note 16 – New Knoxville Community Improvement Corporation

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

Basis of Accounting

The New Knoxville Community Improvement Corporation prepares financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

For years ended December 31, 2006 and 2005 the CIC had no receipts or disbursements. Net Assets were \$0 and \$0, respectively.

Budgetary Basis of Accounting

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

MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Mayor and Members of Council
Village of New Knoxville
PO Box 246
New Knoxville, Ohio 45871-0246

To the Village Council:

We have audited the financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of Village of New Knoxville, Auglaize County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 16, 2007, in which we disclosed the Village prepares its financial statements on the modified cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We noted other matters that we have reported to management in a separate letter dated July 16, 2007.

Compliance and Other Matters

As part of reasonably assuring 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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In a separate letter to the Village's management dated July 16, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

July 16, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEW KNOXVILLE

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2007**