



**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF MAGNOLIA  
STARK COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2001 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2000 .....	6
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control over Compliance in Accordance with Omb Circular A-133 .....	19
Schedule of Receipts and Expenditures of Federal Awards For the Year Ended December 31, 2001 .....	21
Schedule of Receipts and Expenditures of Federal Awards For the Year Ended December 31, 2000 .....	22
Notes to the Schedules of Receipts and Expenditures of Federal Awards .....	23
Schedule of Findings .....	25
Schedule of Prior Year Findings .....	27

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Magnolia  
Stark County  
328 N. Main Street  
P.O. Box 297  
Magnolia, Ohio 44643

To the Village Council and Honorable Mayor:

We have audited the accompanying financial statements of the Village of Magnolia, Stark County, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audits 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 2 in the financial statements, the fund balances for all funds were restated as of January 1, 2000, to correct the classification of the Police Equipment Fund and Mayor's Court activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

We performed our audits to form an opinion on the financial statements of the Village, taken as a whole. The accompanying Schedules of Receipts and Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**Jim Petro**  
Auditor of State

April 12, 2002

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$79,618	\$45,179	\$0	\$124,797
Intergovernmental	51,835	56,078	13,069	120,982
Charges for Services	69,010	5,550	0	74,560
Fines, Licenses, and Permits	9,650	8,423	0	18,073
Earnings on Investments	7,479	40	0	7,519
Miscellaneous	10,005	1,105	0	11,110
	<u>227,597</u>	<u>116,375</u>	<u>13,069</u>	<u>357,041</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	126,896	85,311	0	212,207
Public Health Services	2,544	16,126	0	18,670
Leisure Time Activities	6,016	0	0	6,016
Basic Utility Services	7,541	0	0	7,541
Transportation	10,128	28,069	0	38,197
General Government	36,063	730	0	36,793
Debt Service:				
Principal Payments	7,611	17,945	0	25,556
Interest Payments	861	784	0	1,645
Capital Outlay	0	2,100	27,399	29,499
	<u>197,660</u>	<u>151,065</u>	<u>27,399</u>	<u>376,124</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>29,937</u>	<u>(34,690)</u>	<u>(14,330)</u>	<u>(19,083)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds of Notes	0	12,010	0	12,010
Other Non-operating Revenue	0	704	0	704
Transfers-In	0	10,370	0	10,370
Advances-In	27,760	1,088	0	28,848
Transfers-Out	(15,342)	0	0	(15,342)
Advances-Out	(28,848)	0	0	(28,848)
	<u>(16,430)</u>	<u>24,172</u>	<u>0</u>	<u>7,742</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,507	(10,518)	(14,330)	(11,341)
Fund Cash Balances, January 1	<u>33,919</u>	<u>46,207</u>	<u>12,766</u>	<u>92,892</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$47,426</u></b>	<b><u>\$35,689</u></b>	<b><u>(\$1,564)</u></b>	<b><u>\$81,551</u></b>
Reserves for Encumbrances, December 31	<u>\$1,600</u>	<u>\$3,571</u>	<u>\$0</u>	<u>\$5,171</u>

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

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$177,457	\$0	\$177,457
Fines and Forfeitures	0	\$8,856	\$8,856
Miscellaneous	229	0	229
	<u>177,686</u>	<u>8,856</u>	<u>186,542</u>
<b>Operating Cash Disbursements:</b>			
General Government	45,649	7,575	53,224
Basic Utilities	7,316	0	7,316
Supplies and Materials	14,053	0	14,053
Capital Outlay	253,979	0	253,979
	<u>320,997</u>	<u>7,575</u>	<u>328,572</u>
Operating Income/(Loss)	<u>(143,311)</u>	<u>1,281</u>	<u>(142,030)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	282,974	0	282,974
Proceeds from Bonds	920,000	0	920,000
Earnings on Investments	1,882	0	1,882
	<u>1,204,856</u>	<u>0</u>	<u>1,204,856</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service			
Principal Payments	960,000	0	960,000
Interest Payments	51,520	0	51,520
	<u>1,011,520</u>	<u>0</u>	<u>1,011,520</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	50,025	1,281	51,306
Transfers-In	4,972	0	4,972
Advances-In	25,760	2,000	27,760
Advances-Out	<u>(25,760)</u>	<u>(2,000)</u>	<u>(27,760)</u>
Net Receipts Over/(Under) Disbursements	54,997	1,281	56,278
Fund Cash Balances, January 1	<u>161,085</u>	<u>401</u>	<u>161,486</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$216,082</u></b>	<b><u>\$1,682</u></b>	<b><u>\$217,764</u></b>
Reserves for Encumbrances, December 31	<u>\$1,300</u>	<u>\$0</u>	<u>\$1,300</u>

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



**VILLAGE OF MAGNOLIA  
STARK COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$73,275	\$40,029	\$0	\$113,304
Intergovernmental	51,035	48,904	235,865	335,804
Charges for Services	66,630	5,725	0	72,355
Fines, Licenses, and Permits	9,038	18,966	0	28,004
Earnings on Investments	2,902	52	0	2,954
Miscellaneous	12,170	421	0	12,591
	<u>215,050</u>	<u>114,097</u>	<u>235,865</u>	<u>565,012</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	120,337	54,287	0	174,624
Public Health Services	4,745	16,042	0	20,787
Leisure Time Activities	6,133	0	0	6,133
Basic Utility Services	6,427	0	0	6,427
Transportation	8,449	27,204	0	35,653
General Government	52,378	633	0	53,011
Capital Outlay	871	22,939	226,845	250,655
	<u>199,340</u>	<u>121,105</u>	<u>226,845</u>	<u>547,290</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>15,710</u>	<u>(7,008)</u>	<u>9,020</u>	<u>17,722</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds of Notes	0	17,945	0	17,945
Transfers-In	0	2,809	3,746	6,555
Advances-In	0	4,650	0	4,650
Transfers-Out	(15,289)	0	0	(15,289)
Advances-Out	(4,650)	0	0	(4,650)
	<u>(19,939)</u>	<u>25,404</u>	<u>3,746</u>	<u>9,211</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,229)	18,396	12,766	26,933
Fund Cash Balances January 1 Restated	<u>38,148</u>	<u>27,811</u>	<u>0</u>	<u>65,959</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$33,919</b></u>	<u><b>\$46,207</b></u>	<u><b>\$12,766</b></u>	<u><b>\$92,892</b></u>
Reserves for Encumbrances, December 31	<u>\$2,109</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,109</u>

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

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$133,031	\$0	\$133,031
Fines and Forfeitures	\$0	\$5,820	5,820
Miscellaneous	180	0	180
	<u>133,211</u>	<u>5,820</u>	<u>139,031</u>
<b>Operating Cash Disbursements:</b>			
General Government	40,934	6,483	47,417
Basic Utilities	6,888	0	6,888
Supplies and Materials	27,149	0	27,149
Capital Outlay	751,795	0	751,795
	<u>826,766</u>	<u>6,483</u>	<u>833,249</u>
Operating Income/(Loss)	<u>(693,555)</u>	<u>(663)</u>	<u>(694,218)</u>
<b>Non-Operating Cash Receipts:</b>			
Proceeds from Bonds	922,053	0	922,053
Earnings and Investments	22,918	0	22,918
	<u>944,971</u>	<u>0</u>	<u>944,971</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service			
Principal Payments	96,564	0	96,564
Interest Payments	29,767	0	29,767
	<u>126,331</u>	<u>0</u>	<u>126,331</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	125,085	(663)	124,422
Transfers-In	8,734	0	8,734
Advances-In	0	0	0
Transfers-Out	0	0	0
Advances-Out	0	0	0
Net Receipts Over/(Under) Disbursements	133,819	(663)	133,156
Fund Cash Balances, January 1 Restated	<u>27,266</u>	<u>1,064</u>	<u>28,330</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$161,085</u></b>	<b><u>\$401</u></b>	<b><u>\$161,486</u></b>
Reserves for Encumbrances, December 31	<u>\$2,000</u>	<u>\$0</u>	<u>\$2,000</u>

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

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Magnolia, Stark County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities, park operations (leisure time activities), and police services. The Village contracts with the Magnolia Volunteer Fire Department to provide fire protection services. In addition, the Village provides, under contract, police protection services to the Village of East Sparta, and Sandy Township.

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

The Village is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. These organizations are presented in Notes 10 through 12. These organizations include:

- Stark Council of Governments
- Stark County Regional Planning Commission
- Carroll County Regional Planning Commission

**B. Basis of Accounting**

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

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

**C. Cash**

Certificates of deposit are valued at cost. The Village maintains remaining cash in interest bearing savings and checking accounts.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

Cemetery Fund - This fund receives levy monies and charges for lot sales in the Village cemetery which are used for the upkeep of the cemetery.

Fire Levy Fund - This fund receives levy monies for operating and maintaining the Village Volunteer Fire Department.

Police Levy Fund - This fund receives levy monies for operating and maintaining the Village Police Department.

**3. Capital Projects Fund**

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

Capital Project Storm Sewer Fund (OPWC Loan) - This fund receives loan and grant proceeds from Stark County and the Ohio Public Works Commission for the payment of capital improvements to storm sewers within the Village.

**4. Enterprise Funds**

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

Water Improvement Fund - This fund receives grant and loan proceeds from the U.S.D.A. Department of Rural Development to finance a waterline expansion project. The loan will be repaid from a water surcharge, also accounted for in this fund.

**5. Fiduciary Fund (Agency Fund)**

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

Mayor's Court Fund - This fund receives fines and forfeitures from the Mayor's Court to be distributed to the Village and State of Ohio.

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. CORRECTIONS OF ERRORS**

Prior to January 1, 2000, the Police Equipment Fund was improperly classified as an Enterprise Fund; therefore, the fund has been reclassified as a Special Revenue Fund. In addition, \$1,916 belonging to the General Fund was improperly classified in the Agency Mayor's Court Fund. As a result of correcting these errors, the fund cash balances have been restated as follows:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Enterprise Fund</b>	<b>Agency Fund</b>
Previously Reported Fund				
Cash Balance, December 31, 1999	\$ 36,232	\$ 15,812	\$ 39,268	\$ 2,975
Reclassification of Police Equipment Fund		12,713	(12,000)	
Miscellaneous				5
Reclassification of fines and forfeitures to the General Fund	1,916			(1,916)
	<u>1,916</u>			<u>(1,916)</u>
Restated Fund Balance, January 1, 2000	<u>\$ 38,148</u>	<u>\$ 27,811</u>	<u>\$ 27,268</u>	<u>\$ 1,064</u>

In addition, the Excess of Cash Receipts Over/Under Cash Disbursements for 1999 have been restated as follows:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Enterprise Fund</b>	<b>Agency Fund</b>
Previously Reported				
Excess of Cash Receipts Over/Under Cash Disbursements	\$ (2,401)	\$ (6,975)	\$ 10,710	\$ (903)
Reclassification of Police Equipment Fund		12,713	(12,000)	
Miscellaneous				5
Reclassification of fines and forfeitures to the General Fund	1,916			(1,916)
	<u>1,916</u>			<u>(1,916)</u>
Restated Excess of Cash Receipts Over/Under Cash Disbursements for 1999	<u>\$ (485)</u>	<u>\$ 5,738</u>	<u>\$ (1,290)</u>	<u>\$ (2,814)</u>

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. EQUITY IN POOLED CASH**

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

	<b>2001</b>	<b>2000</b>
Demand deposits	\$ 119,610	\$ 204,008
Certificates of deposit	<u>179,705</u>	<u>50,370</u>
Total deposits	<u><u>299,315</u></u>	<u><u>254,378</u></u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,357	\$227,597	(\$27,760)
Special Revenue	167,360	139,459	(27,901)
Capital Projects	87,766	13,069	(74,697)
Enterprise	1,705,083	1,387,514	(317,569)
Agency	<u>7,344</u>	<u>8,856</u>	<u>1,512</u>
Total	<u><u>\$2,222,910</u></u>	<u><u>\$1,776,495</u></u>	<u><u>(\$446,415)</u></u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,392	\$214,602	\$26,790
Special Revenue	172,893	154,636	18,257
Capital Projects	80,765	27,399	53,366
Enterprise	1,722,233	1,333,817	388,416
Agency	<u>7,344</u>	<u>7,575</u>	<u>(231)</u>
Total	<u><u>\$2,224,627</u></u>	<u><u>\$1,738,029</u></u>	<u><u>\$486,598</u></u>

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,963	\$215,050	(\$25,913)
Special Revenue	126,992	134,851	7,859
Capital Projects	357,245	239,611	(117,634)
Enterprise	1,136,772	1,086,916	49,856
Agency	8,064	5,820	(2,244)
Total	\$1,870,036	\$1,682,248	(\$187,788)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$221,024	\$216,738	\$4,286
Special Revenue	130,566	121,105	9,461
Capital Projects	358,548	226,845	131,703
Enterprise	1,000,000	955,097	44,903
Agency	8,064	6,483	1,581
Total	\$1,718,202	\$1,526,268	\$191,934

**5. PROPERTY TAX**

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

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

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

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



**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT**

Debt outstanding at December 31 was as follows for each year:

<u>Year Acquired</u>		<u>Interest Rate</u>	<u>Principal at 12/31/01</u>	<u>Principal at 12/31/00</u>
1997	Ohio Water Development Authority Loan	0.00%	\$ 0	\$ 40,000
1999	Bank of Magnolia Truck Loan	6.25%	8,089	15,700
1999	Ohio Public Works Commission (OPWC) Loan	0.00%	31,550	31,550
2000	U.S.D.A. Rural Development Temporary Mortgage Revenue Bonds	6.00%	0	920,000
2000	Bank of Magnolia Park and Recreation Playground Loan	7.50%	0	17,945
2001	Bank of Magnolia Police Cruiser Loan	4.50%	12,010	N/A
2001	U.S.D.A. Rural Development Permanent Mortgage Revenue Bonds	4.75%	<u>920,000</u>	<u>N/A</u>
Total			<u>\$ 971,649</u>	<u>\$ 1,025,195</u>

The Ohio Water Development Authority (OWDA) loan relates to the installation of a new water storage tank, waterlines, and booster pump station. The OWDA approved up to \$50,000 in interest-free loans to the Village for this project. The loan was to be repaid in annual installments of \$5,000, over 10 years; however, the Village fully retired the loan during fiscal year 2001. The loan was collateralized by water receipts.

The Bank of Magnolia Truck Loan was obtained for the purchase of a new truck for the Village. The Bank of Magnolia approved up to \$22,794 for this purchase. The note is to be repaid in semi-annual installments of \$4,236, over three years. The loan is collateralized by the related truck.

The Ohio Public Works Commission (OPWC) loan relates to a storm sewer replacement project. The OPWC approved \$31,550 in interest-free loans to the Village for this project. The loan will be repaid in semi-annual installments of \$789, over 20 years. The loan is collateralized by water receipts. The Village has agreed to set a water surcharge rate sufficient to cover OPWC debt service requirements.

The Bank of Magnolia Park and Recreation Playground Loan was obtained for the purpose of purchasing playground equipment for the Village Park. The Village obtained a reimbursement grant from the Ohio Department of Natural Resources (ODNR) in the amount of \$13,459 to cover a portion of the equipment costs. The Bank of Magnolia approved up to \$22,794 for this purchase. The note was retired in full during 2001 and was collateralized by the Village's pooled deposits and the grant from ODNR.

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

The U.S.D.A. Rural Development Temporary Mortgage Revenue Bonds were obtained as interim financing for the purpose of paying for the costs of constructing improvements to the Village's water system. The U.S.D.A. Rural Development Permanent Mortgage Revenue Bonds were obtained for the purpose of paying for the costs of constructing improvements to the Village's water system. The issuance was approved in the amount of \$920,000. The loan is to be repaid annually over 40 years. The Village established a water surcharge and Water System Revenue Fund in compliance with the debt covenants associated with this loan.

The Bank of Magnolia Police Cruiser Loan was obtained for the purchase of a new police cruiser for the Village Police Dept. The Bank of Magnolia approved \$12,010 for this purchase. The note is to be repaid in semi-annual installments of \$2,167, over three years, and is collateralized by the police cruiser.

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

Year ending December 31:	Truck Loan	OPWC Loan	Permanent Mortgage Revenue Bonds	Police Cruiser Loan
2002	\$5,748	\$1,578	\$52,043	\$4,335
2003	3,025	1,578	51,815	4,335
2004	0	1,578	51,812	4,335
2005	0	1,578	51,789	0
2006	0	1,578	51,747	0
Thereafter	0	23,660	1,812,743	0
Total	<u>\$8,773</u>	<u>\$31,550</u>	<u>\$2,071,949</u>	<u>\$13,005</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Commercial Auto Coverage
- Commercial Inland Marine
- General Liability
- Commercial Property Coverage
- Public Officials' Liability
- Police Professional Liability

The Village also provides medical, vision, and dental insurance benefits to its employees through Aultcare Insurance Company.

**9. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**10. STARK COUNCIL OF GOVERNMENTS**

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County, and other cities, villages, and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is not dependent on the Village's continued participation nor does the Village have an equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

**11. STARK COUNTY REGIONAL PLANNING COMMISSION**

The Village participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, and other cities, villages, and townships. The principle aim of the Commission is to provide comprehensive planning, both long and short term, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**12. CARROLL COUNTY REGIONAL PLANNING COMMISSION**

The Village participates in the Carroll County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Carroll County, and other villages and townships. The principle aim of the Commission is to provide comprehensive planning, both long and short term, dealing with the economic and physical environment of Carroll County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Carroll County Regional Planning Commission, Carroll County, Ohio.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

Village of Magnolia  
Stark County  
328 N. Main Street  
P.O. Box 297  
Magnolia, Ohio 44643

To the Village Council and Honorable Mayor:

We have audited the accompanying financial statements of the Village of Magnolia, Stark County, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 12, 2002, which included an emphasis of matter related to the corrections of errors in the Village's fund balances. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 12, 2002.

**Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 12, 2002.

Village of Magnolia  
Stark County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 12, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Magnolia  
Stark County  
328 N. Main Street  
P.O. Box 297  
Magnolia, Ohio 44643

To the Village Council and Honorable Mayor:

**Compliance**

We have audited the compliance of the Village of Magnolia, Stark County, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to the Village's major federal program for the years ended December 31, 2001 and 2000, which included an emphasis of matter related to the corrections of errors in the Village's fund balances. The Village's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2001 and 2000.

**Internal Control Over Compliance**

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audits, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Village of Magnolia  
Stark County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance In Accordance With OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 12, 2002



**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Direct:</i>						
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$1,202,974	\$0	\$1,262,349	\$0
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>						
<i>Direct:</i>						
Public Safety Partnership and Community Policing Grants	N/A	16.710	23,125	0	22,336	0
<b><u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u></b>						
<i>Passed Through the Ohio Department of Human Services:</i>						
State and Community Highway Safety Grant	DHS761	20.600	<u>2,759</u>	<u>0</u>	<u>2,846</u>	<u>0</u>
<b>Totals</b>			<b><u>\$1,228,858</u></b>	<b><u>\$0</u></b>	<b><u>\$1,287,531</u></b>	<b><u>\$0</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Direct:</i>						
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$920,000	\$0	\$779,295	\$0
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>						
<i>Direct:</i>						
Public Safety Partnership and Community Policing Grants	N/A	16.710	2,626	0	7,258	0
<b><u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u></b>						
<i>Passed Through the Ohio Department of Human Services:</i>						
State and Community Highway Safety Grant	DHS761	20.600	<u>0</u>	<u>0</u>	<u>1,451</u>	<u>0</u>
<b>Totals</b>			<b><u>\$922,626</u></b>	<b><u>\$0</u></b>	<b><u>\$788,004</u></b>	<b><u>\$0</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**NOTES TO THE SCHEDULES OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2001 AND 2000**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedules of Receipts and Expenditures of Federal Awards (the Schedules) summarize activity of the Village's federal award programs. The Schedules have been prepared on the cash basis of accounting.

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**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Water and Waste Disposal Systems for Rural Communities, CFDA #10.760
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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**VILLAGE OF MAGNOLIA  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1999-31276-001	<b>Ohio Rev. Code Section 5705.14, 15, &amp; 16</b> - Village Council did not properly approve certain inter-fund transfers.	Yes	Finding No Longer Valid
1999-31276-002	<b>Ohio Rev. Code Section 5705.36</b> - The Village did not obtain a decreased amended certificate in the Enterprise Water Fund.	Yes	Finding No Longer Valid
1999-31276-003	<b>Ohio Rev. Code Section 5705.41(B)</b> - Certain object level expenditures exceeded appropriations.	No	At year end, Village expenditures plus outstanding encumbrances exceeded appropriations by immaterial amounts at the legal level of budgetary control within the Agency Court Fund during 2001 and Special Revenue Parks & Recreation Fund during 2000.
1999-31276-004	<b>Ohio Rev. Code Section 5705.39</b> - During 1998, total appropriations exceeded total estimated resources within certain funds.	Yes	Finding No Longer Valid
1999-31276-005	<b>Ohio Rev. Code Section 5705.42</b> - During 1999 and 1998, the Village Clerk did not record Issue II grant and loan monies in the Capital Projects Storm Sewer Fund totaling \$18,458 and \$31,550.	No	During 2001, the Village Clerk did not initially record grant assistance from the Ohio Public Works Commission and Stark-Tuscarawas-Wayne Joint Solid Waste District in the Capital Projects Storm Sewer Fund and Special Revenue Park and Recreation Fund approximating \$157,000 and \$5,000, respectively.

Village of Magnolia  
 Stark County  
 Schedule of Prior Audit Findings  
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
1999-31276-006	<b>Annual Report -</b> During 1998, the Village Clerk improperly included financial activity from the Enterprise Water Fund and Agency Mayor's Court Fund in the Special Revenue Fund Type on the annual report.	Yes	Finding No Longer Valid





STATE OF OHIO  
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**VILLAGE OF MAGNOLIA**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 2, 2002**