

**VILLAGE OF MAGNOLIA
STARK COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Village Council
Village of Magnolia

We have reviewed the Independent Auditor's Report of the Village of Magnolia, Stark County, prepared by Gary B. Fink & Associates, Inc., for the audit period January 1, 2002 through December 31, 2003. 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 Magnolia is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 13, 2004

This Page is Intentionally Left Blank.

**VILLAGE OF MAGNOLIA, OHIO
STARK COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

TABLE OF CONTENTS

| | |
|---|----|
| Independent Auditor’s Report..... | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - December 31, 2003 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types - December 31, 2003 | 4 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - December 31, 2002 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types - December 31, 2002 | 6 |
| Notes to the Financial Statements | 7 |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 16 |

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Magnolia, Stark County
328 North Main Street
Magnolia, OH 44643

We have audited the accompanying financial statements of Village of Magnolia, Stark County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, 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 audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described 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 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 fund cash balances and reserves for encumbrances of the Village of Magnolia as of December 31, 2003 and December 31, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 7, 2004

Village of Magnolia, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

| | Governmental Fund Types | | | Total (Memorandum Only) |
|---|-------------------------|--------------------|---------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash Receipts | | | | |
| Property Tax and Other Local Taxes | \$136,883 | \$72,022 | \$0 | \$208,905 |
| Intergovernmental | 12,488 | 32,230 | 0 | 44,718 |
| Charges for Services | 83,735 | 3,810 | 0 | 87,545 |
| Fees, Fines, Licenses and Permits | 7,283 | 5,832 | 0 | 13,115 |
| Earnings on Investments | 2,963 | 12 | 0 | 2,975 |
| Miscellaneous | 19,360 | 3,984 | 0 | 23,344 |
| Total Cash Receipts | 262,712 | 117,890 | 0 | 380,602 |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 145,773 | 67,495 | 0 | 213,268 |
| Public Health Services | 2,767 | 10,281 | 0 | 13,048 |
| Leisure Time Activities | 9,464 | 0 | 0 | 9,464 |
| Basic Utility Services | 7,708 | 0 | 0 | 7,708 |
| Transportation | 20,937 | 24,515 | 0 | 45,452 |
| General Government | 41,738 | 724 | 0 | 42,462 |
| Debt Service: | | | | |
| Redemption of Principal | 2,679 | 8,204 | 1,578 | 12,461 |
| Interest and Other Fiscal Charges | 0 | 305 | 0 | 305 |
| Capital Outlay | 23,871 | 0 | 0 | 23,871 |
| Contractual Services | 0 | 7,900 | 0 | 7,900 |
| Total Cash Disbursements | 254,937 | 119,424 | 1,578 | 375,939 |
| Total Cash Receipts Over/(Under) | | | | |
| Cash Disbursements | 7,775 | (1,534) | (1,578) | 4,663 |
| Other Financing Receipts/(Disbursements) | | | | |
| Transfers In | 0 | 9,508 | 1,578 | 11,086 |
| Transfers Out | (13,126) | 0 | 0 | (13,126) |
| Advances In | 6,742 | 500 | 0 | 7,242 |
| Advances Out | (500) | (6,742) | 0 | (7,242) |
| Total Other Financing Receipts/Disbursements | (6,884) | 3,266 | 1,578 | (2,040) |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 891 | 1,732 | 0 | 2,623 |
| Fund Cash Balances, January 1, 2003 | 42,995 | 40,201 | (12,714) | 70,482 |
| Fund Cash Balances, December 31, 2003 | <u>\$43,886</u> | <u>\$41,933</u> | <u>(\$12,714)</u> | <u>\$73,105</u> |
| Reserve For Encumbrances | <u>\$4,319</u> | <u>\$200</u> | <u>\$0</u> | <u>\$4,519</u> |

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

Village of Magnolia, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

| | Proprietary Fund Type | Fiduciary Fund Type | Total (Memorandum Only) |
|--|--------------------------|------------------------|-------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts | | | |
| Fines and Forfeitures | \$0 | \$3,442 | \$3,442 |
| Charges for Services | 170,383 | 0 | 170,383 |
| Miscellaneous | 2,395 | 0 | 2,395 |
| Intergovernmental | 62,629 | 0 | 62,629 |
| Total Operating Cash Receipts | <u>235,407</u> | <u>3,442</u> | <u>238,849</u> |
| Operating Cash Disbursements | | | |
| Basic Utilities | 7,712 | 0 | 7,712 |
| Contractual Services | 1,000 | 0 | 1,000 |
| Supplies and Materials | 20,478 | 0 | 20,478 |
| Capital Outlay | 72,757 | 0 | 72,757 |
| General Government | 52,932 | 3,396 | 56,328 |
| Total Operating Cash Disbursements | <u>154,879</u> | <u>3,396</u> | <u>158,275</u> |
| Operating Income | <u>80,528</u> | <u>46</u> | <u>80,574</u> |
| Non-Operating Cash (Disbursements) | | | |
| Debt Service: | | | |
| Principal Payments | (28,500) | 0 | (28,500) |
| Interest and Other Fiscal Charges | (42,343) | 0 | (42,343) |
| Total Non-Operating Cash Disbursements | <u>(70,843)</u> | <u>0</u> | <u>(70,843)</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 9,685 | 46 | 9,731 |
| Transfers In | 219,872 | 0 | 219,872 |
| Transfers Out | (217,957) | 0 | (217,957) |
| Advances In | 125 | 0 | 125 |
| Net Receipts Over Disbursements | 11,725 | 46 | 11,771 |
| Fund Cash Balances, January 1, 2003 | <u>228,645</u> | <u>1,255</u> | <u>229,900</u> |
| Fund Cash Balances, December 31, 2003 | <u>\$240,370</u> | <u>\$1,301</u> | <u>\$241,671</u> |
| Reserve For Encumbrances | <u>\$6,000</u> | <u>\$0</u> | <u>\$6,000</u> |

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

Village of Magnolia, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

| | Governmental Fund Types | | | Total (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash Receipts | | | | |
| Property Tax and Other Local Taxes | \$124,990 | \$70,559 | \$0 | \$195,549 |
| Intergovernmental | 10,996 | 34,175 | 82,080 | 127,251 |
| Charges for Services | 71,713 | 4,725 | 0 | 76,438 |
| Fees, Fines, Licenses and Permits | 9,287 | 10,398 | 0 | 19,685 |
| Earnings on Investments | 6,866 | 17 | 0 | 6,883 |
| Miscellaneous | 4,572 | 1,972 | 0 | 6,544 |
| Total Cash Receipts | 228,424 | 121,846 | 82,080 | 432,350 |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 131,617 | 79,377 | 0 | 210,994 |
| Public Health Services | 3,265 | 11,165 | 0 | 14,430 |
| Leisure Time Activities | 8,562 | 0 | 0 | 8,562 |
| Basic Utility Services | 7,077 | 0 | 0 | 7,077 |
| Transportation | 9,637 | 26,729 | 0 | 36,366 |
| General Government | 52,019 | 752 | 0 | 52,771 |
| Debt Service: | | | | |
| Redemption of Principal | 7,572 | 3,744 | 1,578 | 12,894 |
| Interest and Other Fiscal Charges | 827 | 591 | 0 | 1,418 |
| Capital Outlay | 0 | 0 | 93,230 | 93,230 |
| Total Cash Disbursements | 220,576 | 122,358 | 94,808 | 437,742 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 7,848 | (512) | (12,728) | (5,392) |
| Other Financing Receipts/(Disbursements) | | | | |
| Transfers In | 0 | 4,524 | 1,578 | 6,102 |
| Transfers Out | (11,779) | 0 | 0 | (11,779) |
| Advances In | 670 | 1,170 | 0 | 1,840 |
| Advances Out | (1,170) | (670) | 0 | (1,840) |
| Total Other Financing Receipts/ (Disbursements) | (12,279) | 5,024 | 1,578 | (5,677) |
| Excess/(Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (4,431) | 4,512 | (11,150) | (11,069) |
| Fund Cash Balances/(Deficits), January 1, 2002 | 47,426 | 35,689 | (1,564) | 81,551 |
| Fund Cash Balances/(Deficits), December 31, 2002 | \$42,995 | \$40,201 | (\$12,714) | \$70,482 |
| Reserve For Encumbrances | \$3,200 | \$200 | \$0 | \$3,400 |

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

Village of Magnolia, Ohio
Stark County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - Proprietary and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

| | Proprietary Fund Type | Fiduciary Fund Type | Total (Memorandum Only) |
|--|--------------------------|------------------------|-------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts | | | |
| Fines and Forfeitures | \$0 | \$5,738 | \$5,738 |
| Charges for Services | 175,555 | 0 | 175,555 |
| Other Revenue | 9,220 | 0 | 9,220 |
| Intergovernmental | 262,307 | 0 | 262,307 |
| Total Operating Cash Receipts | <u>447,082</u> | <u>5,738</u> | <u>452,820</u> |
| Operating Cash Disbursements | | | |
| Basic Utilities | 7,880 | 0 | 7,880 |
| Contractual Services | 2,500 | 0 | 2,500 |
| Supplies and Materials | 28,341 | 0 | 28,341 |
| Capital Outlay | 273,954 | 0 | 273,954 |
| General Government | 62,329 | 6,165 | 68,494 |
| Total Operating Cash Disbursements | <u>375,004</u> | <u>6,165</u> | <u>381,169</u> |
| Operating Income (Loss) | <u>72,078</u> | <u>(427)</u> | <u>71,651</u> |
| Non-Operating Cash Receipts/(Disbursements) | | | |
| Interest Earnings | 5,243 | 0 | 5,243 |
| Principal Payments | (28,335) | 0 | (28,335) |
| Interest and Other Fiscal Charges | (41,665) | 0 | (41,665) |
| Total Non-Operating Cash Receipts/ (Disbursements) | <u>(64,757)</u> | <u>0</u> | <u>(64,757)</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 7,321 | (427) | 6,894 |
| Transfers In | 233,478 | 0 | 233,478 |
| Transfers Out | (228,471) | 0 | (228,471) |
| Advances In | 235 | 0 | 235 |
| Net Receipts Over/(Under) Disbursements | 12,563 | (427) | 12,136 |
| Fund Cash Balances, January 1, 2002 | <u>216,082</u> | <u>1,682</u> | <u>217,764</u> |
| Fund Cash Balances, December 31, 2002 | <u>\$228,645</u> | <u>\$1,255</u> | <u>\$229,900</u> |
| Reserve For Encumbrances | <u>\$5,000</u> | <u>\$0</u> | <u>\$5,000</u> |

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

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

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 (ie., 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.

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

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:

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.

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

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

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.

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

Capital Projects Fund – This fund is 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's only Capital Projects Fund is the Storm Sewer Fund which receives proceeds from the Ohio Public Works Commission for the payment of capital improvements to storm sewers within the Village.

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

Water System Revenue Fund – This fund receives charges for services for providing water to residents.

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

Fiduciary Fund (Agency Funds) – Agency funds are used when the Village is acting in an agency capacity. The Village has the following Agency Fund:

Mayor’s Court Fund – This fund receives and distributes fines collected by the Mayor’s Court.

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.

A summary of 2003 and 2002 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.

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

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.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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 was as follows:

| | <u>2003</u> | <u>2002</u> |
|-------------------------|------------------|------------------|
| Demand deposits | \$260,623 | \$264,602 |
| Certificates of Deposit | 54,153 | 35,780 |
| Total Deposits | <u>\$314,776</u> | <u>\$300,382</u> |

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the securities specifically pledged by the financial institution to the Village.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted</u> <u>Receipts</u> | <u>Actual</u> <u>Receipts</u> | <u>Variance</u> |
|------------------|------------------------------------|----------------------------------|------------------|
| General | \$270,090 | \$269,454 | (\$636) |
| Special Revenue | 126,349 | 127,898 | 1,549 |
| Capital Projects | 1,578 | 1,578 | 0 |
| Enterprise | 322,600 | 455,404 | 132,804 |
| Agency | 7,000 | 3,442 | (3,558) |
| Total | <u>\$727,617</u> | <u>\$857,776</u> | <u>\$130,159</u> |

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY** (continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$313,987 | \$272,882 | \$41,105 |
| Special Revenue | 158,282 | 126,366 | 31,916 |
| Capital Projects | 1,578 | 1,578 | 0 |
| Enterprise | 624,678 | 449,679 | 174,999 |
| Agency | 8,255 | 3,396 | 4,859 |
| Total | <u>\$1,106,780</u> | <u>\$853,901</u> | <u>\$252,879</u> |

2002 Budget vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|------------------|
| General | \$214,445 | \$229,094 | \$14,649 |
| Special Revenue | 128,406 | 127,540 | (866) |
| Capital Projects | 101,578 | 83,658 | (17,920) |
| Enterprise | 515,028 | 686,038 | 171,010 |
| Agency | 7,000 | 5,738 | (1,262) |
| Total | <u>\$966,457</u> | <u>\$1,132,068</u> | <u>\$165,611</u> |

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|------------------|
| General | \$261,873 | \$236,725 | \$25,148 |
| Special Revenue | 151,055 | 123,228 | 27,827 |
| Capital Projects | 112,728 | 94,808 | 17,920 |
| Enterprise | 731,543 | 678,475 | 53,068 |
| Agency | 8,682 | 6,165 | 2,517 |
| Total | <u>\$1,265,881</u> | <u>\$1,139,401</u> | <u>\$126,480</u> |

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 property located within the Village.

Tangible personal property tax is assessed to 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.

5. **DEBT**

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

| <u>Year Acquired</u> | | <u>Interest Rate</u> | <u>Principal at 12/31/2003</u> | <u>Principal at 12/31/2002</u> |
|--------------------------|--------------------------------------|--------------------------|------------------------------------|------------------------------------|
| | Ohio Public Works Commission | | | |
| 1999 | (OPWC) Loan | 0.00% | \$28,395 | \$29,973 |
| 2001 | Bank of Magnolia Police Cruiser Loan | 4.50% | 0 | 8,266 |
| 2001 | U.S.D.A. Rural Development | | | |
| | Permanent Mortgage Revenue Bonds | 4.75% | 863,165 | 891,665 |
| 2003 | Thomas Trushel, Mortgage Note | | 22,321 | 0 |
| | Total | | <u>\$913,881</u> | <u>\$929,904</u> |

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 his 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 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.

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

5. **DEBT** (continued)

The Bank of Magnolia Police Cruiser Loan was obtained for the purchase of a new police cruiser for the Village Police Department. 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 then police cruiser.

The Thomas Trushel Mortgage Note was obtained to purchase a building from Thomas Trushel. The note is for \$25,000 and will be repaid in quarterly installments of \$893, over seven years and is secured by a mortgage deed.

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

| Year Ending December 31, | Trushel Building | OPWC Loan | USDA Development Temporary Mortgage Revenue Bonds |
|-----------------------------|---------------------|--------------|--|
| 2004 | \$3,571 | \$1,578 | \$51,811 |
| 2005 | 3,571 | 1,578 | 51,789 |
| 2006 | 3,571 | 1,578 | 51,747 |
| 2007 | 3,571 | 1,578 | 51,786 |
| 2008 | 3,571 | 1,578 | 51,802 |
| Thereafter | 4,466 | 20,505 | 604,230 |
| Total | \$22,321 | \$28,395 | \$863,165 |

6. **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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

7. **RISK MANAGEMENT**

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

8. **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.

9. **STARK COUNCIL OF GOVERNMENTS**

The Stark Council of Government (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 not does the Village have any 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, PO Box 21451, Canton, OH 44701-1451.

10. **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 of the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

VILLAGE OF MAGNOLIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

11. **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 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 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 of the Commission's liabilities. Complete financial statements can be obtained from the Carroll County Regional Planning Commission, Carroll County, Ohio.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Village Council
Village of Magnolia, Stark County
328 North Main Street
Magnolia, OH 44643

We have audited the financial statements of Village of Magnolia, Stark County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 7, 2004. 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.

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 and contracts, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated June 7, 2004.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 7, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 27, 2004**