

***VILLAGE OF MAGNOLIA***

***STARK COUNTY***

Regular Audit

For the Years Ended December 31, 2019 and 2018







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Village Council  
Village of Magnolia  
P. O. Box 297  
328 North Main Street  
Magnolia, Ohio 44643

We have reviewed the *Independent Auditor's Report* of the Village of Magnolia, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. 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.

Keith Faber  
Auditor of State  
Columbus, Ohio

August 14, 2020

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***Village of Magnolia***  
***Stark County***  
For the Years Ended December 31, 2019 and 2018

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**INDEPENDENT AUDITOR'S REPORT**

Village of Magnolia  
Stark County  
PO Box 297  
328 North Main Street  
Magnolia, Ohio 44643

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Magnolia, Stark County, (the Village) as of and for the years ended December 31, 2019 and 2018.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determined, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and the related notes of the Village of Magnolia, Stark County, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

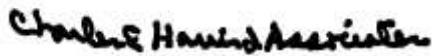
***Emphasis of Matter***

As discussed in Note 13 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
July 2, 2020

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**Village of Magnolia**  
**Stark County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2019*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 135,995	\$ 56,041	\$ -	\$ 51,828	\$ 243,864
State Levied Shared Taxes	34,162	46,783	-	2,540	83,485
Intergovernmental Grants/Contracts	23,343	15,212	-	2,429	40,984
Charges for Services	69,461	5,400	-	-	74,861
Fees, Licenses and Permits	8,261	-	-	-	8,261
Interest Earnings	264	33	-	-	297
Fines and Forfeitures	1,001	1,125	-	-	2,126
All Other Revenue	4,231	-	-	-	4,231
Contributions	-	20,065	-	-	20,065
<i>Total Cash Receipts</i>	276,718	144,659	-	56,797	478,174
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	117,976	62,357	-	-	180,333
Public Health Services	4,477	18,223	-	-	22,700
Leisure Time Activities	20,761	-	-	-	20,761
Basic Utility Services	7,498	-	-	-	7,498
Transportation	4,633	51,634	-	-	56,267
General Government	66,591	904	-	897	68,392
Debt Service:					
Principal Retirement	15,242	-	1,578	49,375	66,195
Interest and Fiscal Charges	1,104	-	-	2,875	3,979
<i>Total Cash Disbursements</i>	238,282	133,118	1,578	53,147	426,125
<i>Excess of Receipts Over (Under) Disbursements</i>	38,436	11,541	(1,578)	3,650	52,049
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	-	1,578	-	1,578
Transfers Out	(1,598)	-	-	-	(1,598)
<i>Total Other Financing Receipts (Disbursements)</i>	(1,598)	-	1,578	-	(20)
<i>Net Change in Fund Cash Balances</i>	36,838	11,541	-	3,650	52,029
<i>Fund Cash Balances, January 1</i>	54,011	85,873	-	21,452	161,336
<b>Fund Cash Balances, December 31</b>					
Restricted	-	97,414	-	25,102	122,516
Assigned	3,727	-	-	-	3,727
Unassigned	87,122	-	-	-	87,122
<i>Fund Cash Balances, December 31</i>	\$ 90,849	\$ 97,414	\$ -	\$ 25,102	\$ 213,365

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

**Village of Magnolia**  
**Stark County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Similar Fiduciary Fund Types*  
*For the Year Ended December 31, 2019*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 193,967	\$ -	\$ 193,967
All Other Revenue	271	-	271
Contributions	-	3,042	3,042
<i>Total Operating Cash Receipts</i>	194,238	3,042	197,280
<b>Operating Cash Disbursements</b>			
Materials and Supplies	31,798	-	31,798
Utilities	13,394	-	13,394
General Government	74,078	-	74,078
Other Operating Expenses	51,232	199	51,431
<i>Total Operating Cash Disbursements</i>	170,502	199	170,701
<i>Operating Income (Loss)</i>	23,736	2,843	26,579
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(3,281)	-	(3,281)
Other Financing Uses	(82)	-	(82)
<i>Total Non-Operating Receipts (Disbursements)</i>	(3,363)	-	(3,363)
<i>Income (Loss) before Transfers</i>	20,373	2,843	23,216
Transfers In	198,786		198,786
Transfers Out	(198,766)	-	(198,766)
<i>Net Change in Fund Cash Balances</i>	20,393	2,843	23,236
<i>Fund Cash Balances, January 1</i>	160,379	3,019	163,398
<i>Fund Cash Balances, December 31</i>	\$ 180,772	\$ 5,862	\$ 186,634

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

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The Village of Magnolia, Stark County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including water utilities, park operations, and police services. In addition, the Village is contracted to provide police protection services to the Village of East Sparta.

***Jointly Governed Organizations***

The Village participates in the Stark Council of Governments (SCOG), the Stark County Regional Planning Commission and the Carroll County Regional Planning Commission, all jointly governed organizations. Note 12 to the financial statements provides additional information for these entities.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc. and Careworks Comp., both public entity risk pools. Note 7 to the financial statements provides additional information for these entities.

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**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the proprietary and similar fiduciary funds, which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Fire Levy Fund*** The fire levy fund accounts for and reports the receipt of property taxes for the operation and maintenance of the Village Volunteer Fire Department.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Street Construction Maintenance and Repair Fund*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of street within the Village.

***Police Levy Fund*** The police levy fund accounts for and reports the receipt of property taxes for the police department's personnel expenses.

***Debt Service Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

***Storm Sewer Project Fund*** The storm sewer project fund accounts for and reports the receipt of General Fund transfers that are committed to the repayment of an Ohio Public Works Commission loan for a storm sewer replacement project.

***Capital Project Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

***Fire Levy Building Fund*** The fire levy building fund accounts for and reports the receipt of property taxes for the purpose of completing construction of a new fire department building.

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

***Water Fund*** The water fund accounts for and reports the receipt of charges for services from residents to cover the cost of providing water treatment and distribution to the residents and commercial users located within the Village.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds. Trust funds 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's private purpose trust fund is for the upkeep of a family mausoleum. Proceeds are received on an annual basis.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

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

A summary of 2019 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

***Nonspendable*** The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

**Committed** Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**Note 3 – Compliance**

Contrary to Ohio Revised Code Section 5705.39, the Village appropriations exceeded its certified estimated resources available for appropriation in several funds.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2019 follows:

Fund Type	2019 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 251,085	\$ 276,718	\$ 25,633
Special Revenue	119,694	144,659	24,965
Debt Service	1,578	1,578	-
Capital Projects	61,778	56,797	(4,981)
Enterprise	455,222	393,024	(62,198)



**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 4 – Budgetary Activity (continued)**

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 305,052	\$ 243,607	\$ 61,445
Special Revenue	226,819	134,197	92,622
Debt Service	1,578	1,578	-
Capital Projects	83,215	53,147	30,068
Enterprise	622,380	372,631	249,749

**Note 5 – Deposits and Investments**

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

	2019
Demand deposits	\$ 300,950
MMDA	99,049
Total deposits	\$ 399,999

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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. 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*  
*For the Year Ended December 31, 2019*

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**Note 7 – Risk Management**

***Worker’s Compensation***

The Village participates in the Careworks Comp. Group Rating Plan (GRP) for worker’s compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

***Risk Pool Membership***

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018 (latest information available).

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members’ Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

During 2019, the Village elected to use the Stark County Schools Council of Governments (the COG), a public entity risk pool, to provide health, dental, vision and life insurance to qualified employees. Information for this entity can be obtained from the COG’s fiscal officer.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

***Ohio Police and Fire Retirement System***

The Village’s full-time police officers belong to the Ohio Police and Fire Retirement System (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F members contributed 12.25%, of their gross salaries and the Village contributed an amount equaling 19.5%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

**Note 9 – Postemployment Benefit**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019. OP&F contributed 0.5% to fund these benefits during calendar year 2019.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
OPWC Loan	\$ 3,153	0%
Ohio Department of Commerce Loan	56,250	0%
Bank of Magnolia - Fire Beppt Building Loan	35,000	4.25%
Bank of Magnolia - New Street Paving Loan	14,758	4.75%
	<b>\$ 109,161</b>	

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 10 – Debt (continued)**

The Ohio Public Works Commission loan relates to the replacement of a storm sewer in 1999. It is a 20-year loan with semi-annual payment of \$789 at 0% interest. The Village is making payments from the General Fund.

In 2017, the Village obtained a loan for \$75,000 from the Ohio Department of Commerce, State Fire Marshall for the construction of a fire department building. It is a 0% interest loan with quarterly payments of \$1,875. The Village is making payments from the Fire Levy Building Fund.

In 2018, the Village obtained a loan for \$105,000 from the Bank of Magnolia for the construction of a new fire station. The loan carries an interest rate of 4.25% for a term of five years. The agreement of the Village with the Bank of Magnolia is on demand, but if no demand is made, then the payment for the fire building is 20 quarterly payments of \$5,836. The Village is making payments from the Fire Levy Building Fund.

In 2018, the Village obtained a loan for \$30,000 from the Bank of Magnolia for a street paving project. The loan carries an interest rate of 4.75% for a term of five years with payments of \$2,081 due quarterly. The Village is currently paying more than the required payment on this loan. The Village is making payments from the General Fund.

***Amortization***

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

Year Ending December 31	OPWC	Ohio Dept. of Commerce Loan	Bank of Magnolia - Fire Building	Bank of Magnolia - Street Paving
2020	\$ 1,577	\$ 7,500	\$ 23,344	\$ 8,326
2021	1,576	7,500	23,344	7,378
2022	-	7,500	-	-
2023	-	7,500	-	-
2024-2027	-	26,250	-	-
Total	<u>\$ 3,153</u>	<u>\$ 56,250</u>	<u>\$ 46,688</u>	<u>\$ 15,704</u>

**Note 11 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 12 – Jointly Governed Organizations**

***Stark Council of Governments***

The Village participates in Stark Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and Villages with twenty-four participants providing twenty seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting, and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens in the Village. The Village did not make any contributions during the fiscal year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from Stark Council of Governments, Canton, Ohio.

***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 villages and cities. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with 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.

***Carroll County Regional Planning Commission***

The Village participates in the Carroll County Regional Planning Commission (the 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 principal 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. This includes 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, Carrollton, Ohio 44615.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 13 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**Village of Magnolia  
Stark County**

*Combined Statement of Receipts, Disbursements and Changes in  
Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2018*

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 137,073	\$ 55,237	\$ -	\$ 52,278	\$ 244,588
State Levied Shared Taxes	33,864	38,706	-	2,526	75,096
Intergovernmental Grants/Contracts	23,796	19,694	-	2,717	46,207
Charges for Services	50,570	9,900	-	-	60,470
Fees, Licenses and Permits	7,752	-	-	-	7,752
Interest Earnings	204	26	-	-	230
Fines and Forfeitures	2,664	203	-	-	2,867
All Other Revenue	3,789	20	-	3	3,812
Contributions	-	1,860	-	-	1,860
<i>Total Cash Receipts</i>	259,712	125,646	-	57,524	442,882
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	120,004	60,164	-	-	180,168
Public Health Services	4,579	15,975	-	-	20,554
Leisure Time Activities	17,536	-	-	-	17,536
Basic Utility Services	9,605	-	-	-	9,605
Transportation	4,586	51,104	-	-	55,690
General Government	65,295	1,058	-	988	67,341
Capital Outlay	80,744	-	-	104,250	184,994
Debt Service:					
Principal Retirement	3,286	-	1,578	35,625	40,489
Interest and Fiscal Charges	21	-	-	2,692	2,713
<i>Total Cash Disbursements</i>	305,656	128,301	1,578	143,555	579,090
<i>Excess of Receipts Over (Under) Disbursements</i>	(45,944)	(2,655)	(1,578)	(86,031)	(136,208)
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	30,000	-	-	105,000	135,000
Transfers In	-	-	1,578	-	1,578
Transfers Out	(1,596)	-	-	-	(1,596)
<i>Total Other Financing Receipts (Disbursements)</i>	28,404	-	1,578	105,000	134,982
<i>Net Change in Fund Cash Balances</i>	(17,540)	(2,655)	-	18,969	(1,226)
<i>Fund Cash Balances, January 1</i>	71,551	88,528	-	2,483	162,562
<b>Fund Cash Balances, December 31</b>					
Restricted	-	85,873	-	21,452	107,325
Assigned	6,419	-	-	-	6,419
Unassigned	47,592	-	-	-	47,592
<i>Fund Cash Balances, December 31</i>	<u>\$ 54,011</u>	<u>\$ 85,873</u>	<u>\$ -</u>	<u>\$ 21,452</u>	<u>\$ 161,336</u>

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



**Village of Magnolia**  
**Stark County**  
*Combined Statement of Receipts, Disbursements and Changes in*  
*Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Similar Fiduciary Fund Types*  
*For the Year Ended December 31, 2018*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 191,920	\$ -	\$ 191,920
All Other Revenue	1,175	-	1,175
Contributions	-	3,035	3,035
<i>Total Operating Cash Receipts</i>	193,095	3,035	196,130
<b>Operating Cash Disbursements</b>			
Materials and Supplies	27,721	-	27,721
Utilities	12,144	-	12,144
General Government	70,377	-	70,377
Other Operating Expenses	19,815	1,550	21,365
<i>Total Operating Cash Disbursements</i>	130,057	1,550	131,607
<i>Operating Income (Loss)</i>	63,038	1,485	64,523
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	10,000	-	10,000
Capital Outlay	(10,607)	-	(10,607)
<i>Total Non-Operating Receipts (Disbursements)</i>	(607)	-	(607)
<i>Income (Loss) before Transfers</i>	62,431	1,485	63,916
Transfers In	206,227	-	206,227
Transfers Out	(206,209)	-	(206,209)
<i>Net Change in Fund Cash Balances</i>	62,449	1,485	63,934
<i>Fund Cash Balances, January 1</i>	97,930	1,534	99,464
<i>Fund Cash Balances, December 31</i>	\$ 160,379	\$ 3,019	\$ 163,398

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

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

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

***Jointly Governed Organizations***

The Village participates in the Stark Council of Governments (SCOG), the Stark County Regional Planning Commission and the Carroll County Regional Planning Commission, all jointly governed organizations. Note 12 to the financial statements provides additional information for these entities.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc. and Careworks Comp., both public entity risk pools. Note 7 to the financial statements provides additional information for these entities.

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**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the proprietary and fiduciary fund types, which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Fire Levy Fund*** The fire levy fund accounts for and reports the receipt of property taxes for the operation and maintenance of the Village Volunteer Fire Department.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Street Construction Maintenance and Repair Fund*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of street within the Village.

***Police Levy Fund*** The police levy fund accounts for and reports the receipt of property taxes for the police department's personnel expenses.

***Debt Service Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

***Storm Sewer Project Fund*** The storm sewer project fund accounts for and reports the receipt of General Fund transfers that are committed to the repayment of an Ohio Public Works Commission loan for a storm sewer replacement project.

***Capital Project Fund*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

***Fire Levy Building Fund*** The fire levy building fund accounts for and reports the receipt of property taxes for the purpose of completing construction of a new fire department building.

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

***Water Fund*** The water fund accounts for and reports the receipt of charges for services from residents to cover the cost of providing water treatment and distribution to the residents and commercial users located within the Village.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds. Trust funds 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's private purpose trust fund is for the upkeep of a family mausoleum. Proceeds are received on an annual basis.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***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 approve estimated resources.

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

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

***Nonspendable*** The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

**Committed** Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the general fund.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**Note 3 – Compliance**

Contrary to Ohio Revised Code Section 5705.39, the Village appropriations exceeded its certified estimated resources available for appropriation in the General Fund.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2018 follows:

Fund Type	2018 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 245,133	\$ 289,712	\$ 44,579
Special Revenue	120,295	125,645	5,350
Debt Service	1,578	1,578	-
Capital Projects	166,778	162,524	(4,254)
Enterprise	452,000	409,322	(42,678)

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 4 – Budgetary Activity (continued)**

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 346,684	\$ 313,672	\$ 33,012
Special Revenue	208,823	131,913	76,910
Debt Service	1,578	1,578	-
Capital Projects	169,261	143,555	25,706
Enterprise	549,930	352,747	197,183

**Note 5 – Deposits and Investments**

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

	2018
Demand deposits	\$ 225,735
MMDA	98,999
Total deposits	\$ 324,734

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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. 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*  
*For the Year Ended December 31, 2018*

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**Note 7 – Risk Management**

***Worker’s Compensation***

The Village participates in the Careworks Comp. Group Rating Plan (GRP) for worker’s compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

***Risk Pool Membership***

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members’ Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 8 – Defined Benefit Pension Plans (continued)**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

***Ohio Police and Fire Retirement System***

The Village’s full-time police officers belong to the Ohio Police and Fire Retirement System (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F members contributed 12.25%, of their gross salaries and the Village contributed an amount equaling 19.5%, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 9 – Postemployment Benefit**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018. OP&F contributed 0.5% to fund these benefits during calendar year 2018.

**Note 10 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OPWC Loan	\$ 4,731	0%
Ohio Department of Commerce Loan	65,625	0%
Bank of Magnolia - Fire Beppt Building Loan	75,000	4.25%
Bank of Magnolia - New Street Paving Loan	30,000	4.75%
	\$ 175,356	

The Ohio Public Works Commission loan relates to the replacement of a storm sewer in 1999. It is a 20-year loan with semi-annual payment of \$789 at 0% interest. The Village is making payments from the General Fund.

In 2017, the Village obtained a loan for \$75,000 from the Ohio Department of Commerce, State Fire Marshall for the construction of a fire department building. It is a 0% interest loan with quarterly payments of \$1,875. The Village is making payments from the Fire Levy Building Fund.



**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 10 – Debt (continued)**

In 2018, the Village obtained a loan for \$105,000 from the Bank of Magnolia for the construction of a new fire station. The loan carries an interest rate of 4.25% for a term of five years. The agreement of the Village with the Bank of Magnolia is on demand, but if no demand is made, then the payment for the fire building is 20 quarterly payments of \$5,836. The Village is currently paying more than the required payment on this loan. The Village is making payments from the Fire Levy Building Fund.

The 2016 loan from the Bank of Magnolia was paid in full in February 2018. Then the Village obtained another loan for \$30,000 from the Bank of Magnolia for a street paving project. The loan carries an interest rate of 4.75% for a term of five years with payments of \$2,081 due quarterly. The Village will be making payments for this loan from the General Fund. Debt service payments will commence in 2019.

***Amortization***

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

Year Ending December 31	OPWC	Ohio Dept. of Commerce Loan	Bank of Magnolia - Fire Building	Bank of Magnolia - Street Paving
2019	\$ 1,577	\$ 7,500	\$ 23,344	\$ 8,323
2020	1,577	7,500	23,344	8,326
2021	1,577	7,500	23,344	8,326
2022	-	7,500	-	7,378
2023	-	7,500	-	-
2024-2027	-	28,125	-	-
Total	<u>\$ 4,731</u>	<u>\$ 65,625</u>	<u>\$ 70,032</u>	<u>\$ 32,353</u>

The amortization schedules from the Bank of Magnolia are estimates as the Village is making payments higher than the agreed-upon quarterly debt service payments when funds are available. The Bank of Magnolia has not provided an updated amortization schedule.

**Note 11 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 12 – Jointly Governed Organizations**

***Stark Council of Governments***

The Village participates in Stark Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and Villages with twenty-four participants providing twenty seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting, and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens in the Village. The Village did not make any contributions during the fiscal year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from Stark Council of Governments, Canton, Ohio.

***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 villages and cities. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with 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.

***Carroll County Regional Planning Commission***

The Village participates in the Carroll County Regional Planning Commission (the 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 principal 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. This includes 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, Carrollton, Ohio 44615.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Magnolia  
Stark County  
PO Box 297  
328 North Main Street  
Magnolia, Ohio 44643

To Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Magnolia, Stark County (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 2, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

*Village of Magnolia*

*Stark County*

Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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 grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item number 2019-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 2, 2020.

### ***Village's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Village's response, and accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***

July 2, 2020

VILLAGE OF MAGNOLIA  
STARK COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018

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

**FINDING NUMBER 2019-001**

**Ohio Rev. Code - Non-Compliance:**

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

During 2019 and 2018, the Village’s appropriations exceeded its certificate of estimated resources available for appropriations in the following funds.

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<b>2018:</b>			
General Fund	\$ 310,064	\$ 340,064	\$ (30,000)
<b>2019:</b>			
Special Revenue Fund:			
Street Construction Maintenance	51,444	61,344	(9,900)
Selective Traffic Enforcement	13,774	14,774	(1,000)
Beauty	5,546	25,066	(19,520)
Law Enforcement Trust	947	4,861	(3,914)
Motor Vehicle License Tax	15,430	16,930	(1,500)
Enterprise Fund: Water	615,601	622,380	(6,779)

The negative variances were caused by the Village amending its appropriations, but not amending its estimated resources. We recommend that the Village file for an amendment in its certificate of estimated resources in line with its appropriation amendments. We also recommend that it monitor its budgetary activity regularly to avoid appropriations from exceeding estimated resources.

**Management Response:**

See Corrective Action Plan.

**Village of Magnolia**  
**Stark County**  
*Schedule of Prior Audit Findings*  
*(Prepared by Management)*  
*December 31, 2019 and 2018*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Audit Adjustments and Reclassifications	Partially corrected.	Accounts were properly classified except for the Private Purpose Trust – Cemetery. The recommendation has been moved in the management letter.

**Village of Magnolia**  
**Stark County**  
*Corrective Action Plan*  
*(Prepared by Management)*  
*December 31, 2019 and 2018*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-001	The Village will monitor its budgetary activity regularly and file for an amendment in its certificate of estimated resources in line with its appropriation amendments.	Immediately	Molly Murphy, Fiscal Officer

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# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF MAGNOLIA**

**STARK COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/27/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)