

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO**

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Mary Taylor, CPA
Auditor of State

Village Council
Village of Magnetic Springs
119 Main Street
Magnetic Springs, Ohio 43036

We have reviewed the *Independent Auditors' Report* of the Village of Magnetic Springs, Union County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Magnetic Springs is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 29, 2008

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Village of Magnetic Springs
Union County, Ohio
For the Years Ended December 31, 2007 and 2006

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Independent Auditors' Report

Village of Magnetic Springs
Union County, Ohio

To the Village Council:

We have audited the accompanying financial statements of the Village of Magnetic Springs, Union County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not

present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Magnetic Springs, Union County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

July 31, 2008

Village of Magnetic Springs
 Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2007

| | <u>General</u> | <u>Special Revenue</u> | <u>Totals (Memorandum Only)</u> |
|--|------------------|----------------------------|---|
| Cash receipts: | | | |
| Property and local taxes | \$ 12,792 | 1,510 | 14,302 |
| Intergovernmental | 11,609 | 12,500 | 24,109 |
| Charges for services | 3,272 | - | 3,272 |
| Fines, licenses and permits | 25 | - | 25 |
| Earnings on investments | 230 | 1,036 | 1,266 |
| Other | <u>11,031</u> | <u>-</u> | <u>11,031</u> |
| Total cash receipts | <u>38,959</u> | <u>15,046</u> | <u>54,005</u> |
| Cash disbursements: | | | |
| Current: | | | |
| Public health services | 500 | - | 500 |
| Leisure time activities | 4,219 | - | 4,219 |
| Transportation | - | 7,154 | 7,154 |
| General government | 20,590 | - | 20,590 |
| Capital outlay | <u>8,800</u> | <u>-</u> | <u>8,800</u> |
| Total cash disbursements | <u>34,109</u> | <u>7,154</u> | <u>41,263</u> |
| Total receipts over disbursements | <u>4,850</u> | <u>7,892</u> | <u>12,742</u> |
| Other financing receipts (disbursements): | | | |
| Other financing uses | <u>(466)</u> | <u>-</u> | <u>(466)</u> |
| Total other financing receipts (disbursements) | <u>(466)</u> | <u>-</u> | <u>(466)</u> |
| Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements | 4,384 | 7,892 | 12,276 |
| Fund cash balances, beginning of year | <u>14,435</u> | <u>104,742</u> | <u>119,177</u> |
| Fund cash balances, end of year | \$ <u>18,819</u> | <u>112,634</u> | <u>131,453</u> |
| Reserve for encumbrances | \$ <u>1,329</u> | <u>1,317</u> | <u>2,646</u> |

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

Village of Magnetic Springs
 Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2006

| | <u>General</u> | <u>Special Revenue</u> | <u>Totals (Memorandum Only)</u> |
|--|------------------|----------------------------|---|
| Cash receipts: | | | |
| Property and local taxes | \$ 10,836 | 1,408 | 12,244 |
| Intergovernmental | 10,045 | 13,137 | 23,182 |
| Charges for services | 2,535 | - | 2,535 |
| Fines, licenses and permits | 65 | - | 65 |
| Earnings on investments | 496 | 553 | 1,049 |
| Other | <u>2,014</u> | <u>115</u> | <u>2,129</u> |
| Total cash receipts | <u>25,991</u> | <u>15,213</u> | <u>41,204</u> |
| Cash disbursements: | | | |
| Current: | | | |
| Public health services | 2,500 | - | 2,500 |
| Leisure time activities | 1,735 | - | 1,735 |
| Transportation | - | 4,108 | 4,108 |
| General government | <u>21,476</u> | <u>-</u> | <u>21,476</u> |
| Total cash disbursements | <u>25,711</u> | <u>4,108</u> | <u>29,819</u> |
| Total receipts over disbursements | <u>280</u> | <u>11,105</u> | <u>11,385</u> |
| Other financing receipts (disbursements): | | | |
| Transfers out | - | (13,416) | (13,416) |
| Transfers in | 13,416 | - | 13,416 |
| Other financing uses | <u>(361)</u> | <u>-</u> | <u>(361)</u> |
| Total other financing receipts (disbursements) | <u>13,055</u> | <u>(13,416)</u> | <u>(361)</u> |
| Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements | 13,335 | (2,311) | 11,024 |
| Fund cash balances, beginning of year | <u>1,100</u> | <u>107,053</u> | <u>108,153</u> |
| Fund cash balances, end of year | \$ <u>14,435</u> | <u>104,742</u> | <u>119,177</u> |
| Reserve for encumbrances | \$ <u>1,473</u> | <u>87</u> | <u>1,560</u> |

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

Village of Magnetic Springs
Notes to the Financial Statements
December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Magnetic Springs, Union County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, park operations, and road maintenance.

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

Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The 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 expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

Fund Accounting

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

Government Fund Types:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

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

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

Village of Magnetic Springs
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies, continued

Budgetary Process

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

Appropriations

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

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also 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 canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

Property, Plant, and Equipment

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

(2) Equity in Pooled Cash

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

| | <u>2007</u> | <u>2006</u> |
|-----------------|-------------|-------------|
| Demand deposits | \$ 131,453 | 119,177 |

Village of Magnetic Springs
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(2) Equity in Pooled Cash, continued

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

(3) Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

| <u>Fund Type</u> | <u>2007 Budgeted vs. Actual Receipts</u> | | |
|------------------|--|----------------------------------|-----------------|
| | <u>Budgeted</u> <u>Receipts</u> | <u>Actual</u> <u>Receipts</u> | <u>Variance</u> |
| General | \$ 35,625 | 38,959 | 3,334 |
| Special revenue | <u>13,823</u> | <u>15,046</u> | <u>1,223</u> |
| Total | \$ <u>49,448</u> | <u>54,005</u> | <u>4,557</u> |

| <u>Fund Type</u> | <u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | |
|------------------|--|---|-----------------|
| | <u>Appropriation</u> <u>Authority</u> | <u>Budgetary</u> <u>Expenditures</u> | <u>Variance</u> |
| General | \$ 31,854 | 35,904 | (4,050) |
| Special revenue | <u>12,100</u> | <u>8,471</u> | <u>3,629</u> |
| Total | \$ <u>43,954</u> | <u>44,375</u> | <u>(421)</u> |

| <u>Fund Type</u> | <u>2006 Budgeted vs. Actual Receipts</u> | | |
|------------------|--|----------------------------------|-----------------|
| | <u>Budgeted</u> <u>Receipts</u> | <u>Actual</u> <u>Receipts</u> | <u>Variance</u> |
| General | \$ 38,895 | 39,407 | 512 |
| Special revenue | <u>22,494</u> | <u>15,213</u> | <u>(7,281)</u> |
| Total | \$ <u>61,389</u> | <u>54,620</u> | <u>(6,769)</u> |

| <u>Fund Type</u> | <u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u> | | |
|------------------|--|---|-----------------|
| | <u>Appropriation</u> <u>Authority</u> | <u>Budgetary</u> <u>Expenditures</u> | <u>Variance</u> |
| General | \$ 27,782 | 27,545 | 237 |
| Special revenue | <u>27,588</u> | <u>17,611</u> | <u>9,977</u> |
| Total | \$ <u>55,370</u> | <u>45,156</u> | <u>10,214</u> |

Village of Magnetic Springs
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(3) Budgetary Activity, continued

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$4,050 for the year ended December 31, 2007 and all outstanding encumbrances were not recorded at December 31, 2007 and 2006. Additionally, contrary to Ohio law, a certificate of estimated resources was not timely filed for 2006 and 2007, the beginning cash balances and estimated resources in the certificate of estimated resources did not agree to the Village's Uniform Accounting Network (UAN), the permanent appropriation resolution was not timely adopted for 2006 and 2007, the amended appropriation resolution was not timely filed, the final appropriation measure did not agree to the Village's UAN and certain disbursements were not encumbered prior to payment.

(4) Property Tax

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.

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

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

(5) Retirement System

The Village pays all persons who perform services for the Village, including elected officials, as independent contractors instead of employees. Internal Revenue Code Section 3401(c) indicates that elected officials are employees. Additionally, as independent contractors, elected officials are not participating in the Ohio Public Employees Retirement System (OPERS). ORC Section 145.20 requires that elected officials participate in OPERS or elect out of participation. Neither approach was followed for the period of the financial statements.

(6) Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

Village of Magnetic Springs
Notes to the Financial Statements, continued
December 31, 2007 and 2006

(6) Risk Pool Membership, continued

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

| | <u>2007</u> | <u>2006</u> |
|-----------------|---------------------|--------------------|
| Assets | \$ 11,136,455 | 9,620,148 |
| Liabilities | <u>(4,273,553)</u> | <u>(3,329,620)</u> |
| Members' equity | \$ <u>6,862,902</u> | <u>6,290,528</u> |

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

(7) Interfund Transfers

In 2006, the Village identified receipts from prior years that were incorrectly recorded in Special Revenue Funds instead of to the General Fund. Pursuant to Council resolution, these funds were transferred from the Special Revenue Funds into the General Fund. The transfer does not violate provisions of ORC Sections 5705.14, 5705.15 and 5705.16 because the receipts should have originally been recorded in the General Fund.

Wolf, Rogers, Dickey & Co.

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Independent Auditors' 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 Magnetic Springs
Union County, Ohio

To the Village Council:

We have audited the financial statements of the Village of Magnetic Springs, Union County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting, continued

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated July 31, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-01 through 2007-07.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 31, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

July 31, 2008

Village of Magnetic Springs
Union County, Ohio
Schedule of Findings
December 31, 2007 and 2006

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2007-01

Ohio Revised Code (ORC) Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer should certify to the county auditor the total amount from all sources available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

In 2006, the Village filed a certificate of estimated resources with the Union County Auditor on April 11, 2006. In addition to being filed late, the certificate was based on inaccurate beginning cash balances by fund per the Uniform Accounting Network (UAN). Fund balances in UAN did not agree to audited fund balances by fund as of December 31, 2005.

The Union County Auditor requires timely filing of budgetary documents or Local Government funds may be withheld. In addition, the properly completed certificate of estimated resources serves as the basis for the appropriation resolution.

Finding Number 2007-02

ORC Section 5705.38 provides that the Village shall adopt at least a temporary appropriation resolution on or about the first day of each year and a permanent appropriation resolution no later than April 1.

A permanent appropriation resolution for 2006 was adopted by Village Council on April 20, 2006, but was not filed with the Union County Auditor until June 7, 2006. A temporary appropriations resolution was not adopted for 2006. In 2007, a temporary appropriation measure was filed on January 22, 2007. Village Council adopted a permanent appropriations measure on April 19, 2007; however, it was not filed with the Union County Auditor until July 2, 2007.

In addition, appropriations entered into UAN did not agree to the final appropriation resolution filed with the Union County Auditor for the General Fund in 2006 and the General and Special Revenue Funds in 2007. The UAN system has built-in safeguards to assist local governments in complying with budgetary requirements of the ORC; however, these safeguards cannot operate effectively when inaccurate appropriation data is input. Inaccurate appropriation data in the UAN system could allow expenditures in excess of the actual appropriations lawfully adopted by the Village Council.

Village of Magnetic Springs
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-03

Ohio Revised Code 5705.36 states that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations. In 2006, actual receipts were significantly less than the budgeted amount for the Street Maintenance Fund.

In 2007, Village Council adopted a resolution amending the certificate of estimated resources on April 19, 2007; however, the amendment was not filed with the Union County Auditor until July 2, 2007.

We also noted that the estimated receipts entered into the UAN did not agree to the final certificate of estimated resources for all funds in 2006 and all funds except the Highway Fund in 2007. The Village cannot adequately monitor budgeted versus actual receipts when accurate information has not been entered into the UAN.

Finding Number 2007-04

ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. Budgetary expenditures exceeded appropriation authority by \$4,050 in the General Fund for 2007.

Finding Number 2007-05

The Village treats all persons performing services for the Village as independent contractors, including the elected officials. Internal Revenue Code Section 3401(c) indicates that an officer, employee, or elected official of government is an employee for income tax purposes. As employees, the elected officials may elect to participate in the Ohio Public Employees Retirement System (OPERS) or opt out. Neither approach was followed for the period of the financial statements.

Finding Number 2007-06

An amended appropriations measure was filed with the Union County Auditor on December 30, 2006. However, Council resolutions approving these amendments were dated June 15 through August 24, 2006. Amendments are not official until they have been filed with the Auditor and therefore should be filed in a timely manner.

Village of Magnetic Springs
Union County, Ohio
Schedule of Findings, continued
December 31, 2007 and 2006

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2007-07

Ohio Revised Code (ORC) Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the Fiscal Officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. If the order is for \$3,000 or less, the fiscal officer may authorize the expenditure. Otherwise, Village Council may pass a resolution authorizing the payment for the goods or services.

During our testing, we noted that funds were not properly encumbered prior to incurring the obligation for one of 44 and six of 47 disbursements selected for testing in 2006 and 2007, respectively. In addition, one test selection for each year included a Then and Now Certificate in excess of \$3,000, which was not approved by Council resolution.

Village Response:

Please be advised, The Village Council will move forward with creating a schedule of budgetary actions and their due dates to improve upon meeting the deadlines as defined by the Ohio Revised Code.

We will strive to improve our accuracy of input within the UAN through comparison of those entries with appropriation resolutions and certificates of estimated resources.

Payroll guidelines as expressed by State of Ohio Deputy Auditor, William M. Collier, CPA, have been located and are attached. Village council will move forward to ensure these guidelines are enacted pursuant approval by our Village Solicitor.

Although our tardiness should not be excused, please note that our Clerk/Treasurer was engaged in full time employment, as well as enrolled as a full time college student during 2006-2007 audit term.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MAGNETIC SPRINGS

UNION 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
NOVEMBER 13, 2008**