



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Magnetic Springs
Union County
P.O. Box 150
Magnetic Springs, Ohio 43036

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, 1999 and December 31, 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 6, 2000

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$8,933	\$0	\$8,933
Intergovernmental Receipts	2,437	18,384	20,821
Charges for Services	742	0	742
Fines, Licenses, and Permits	461	0	461
Earnings on Investments	1,030	287	1,317
Miscellaneous	1,195	3,162	4,357
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	14,798	21,833	36,631
Cash Disbursements:			
Current:			
Community Environment	3,286	0	3,286
Transportation	0	3,417	3,417
General Government	15,620	3,546	19,166
	<hr/>	<hr/>	<hr/>
Total Disbursements	18,906	6,963	25,869
Total Receipts Over/(Under) Disbursements	(4,108)	14,870	10,762
Fund Cash Balances, January 1	39,108	19,380	58,488
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$35,000</u>	<u>\$34,250</u>	<u>\$69,250</u>

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

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$19,449	\$0	\$0	\$19,449
Intergovernmental Receipts	4,177	18,011	67,951	90,139
Charges for Services	2,150	0	0	2,150
Fines, Licenses, and Permits	2,740	0	0	2,740
Earnings on Investments	1,045	365	0	1,410
Miscellaneous	12,162	1,939	0	14,101
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	41,723	20,315	67,951	129,989
Cash Disbursements:				
Current:				
Security of Persons and Property	500	0	0	500
Community Environment	4,324	103	0	4,427
Transportation	0	17,212	0	17,212
General Government	17,412	14,714	0	32,126
Capital Outlay	0	0	67,951	67,951
	<hr/>	<hr/>	<hr/>	<hr/>
Total Disbursements	22,236	32,029	67,951	122,216
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	19,487	(11,714)	0	7,773
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	19,621	31,094	0	50,715
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$39,108</u>	<u>\$19,380</u>	<u>\$0</u>	<u>\$58,488</u>

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

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Magnetic Springs, Union County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including maintenance and repair of Village streets. The Village contracts with the City of Marysville to provide emergency medical services for residents of the Village.

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

B. Basis of Accounting

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

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

C. 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:

1. General Fund

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

2. Special Revenue Funds

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

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

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II - These state grant monies were used for sidewalk and storm sewer projects.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>1999</u>		<u>1998</u>
Demand deposits	\$ 69,250	\$	<u>58,488</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 30,180	\$ 14,798	\$ (15,382)
Special Revenue	8,400	21,833	13,433
Total	<u>\$ 38,580</u>	<u>\$ 36,631</u>	<u>\$ (1,949)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 27,150	\$ 18,906	\$ 8,244
Special Revenue	7,340	6,963	377
Total	<u>\$ 34,490</u>	<u>\$ 25,869</u>	<u>\$ 8,621</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 31,625	\$ 41,723	\$ 10,098
Special Revenue	12,438	20,315	7,877
Capital Projects	0	67,951	67,951
Total	<u>\$ 44,063</u>	<u>\$ 129,989</u>	<u>\$ 85,926</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 26,900	\$ 22,236	\$ 4,664
Special Revenue	32,029	32,029	0
Capital Projects	0	67,951	(67,951)
Total	<u>\$ 58,929</u>	<u>\$ 122,216</u>	<u>\$ (63,287)</u>

The Village did not maintain a cash journal, receipts ledger and appropriation ledger for 1998 and 1999. Such ledgers are required under Ohio law.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

The Village's Clerk/Treasurer, Mayor and Council Members belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS members contributed 8.5% of their gross salaries. The employee contribution was picked-up by the Village. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public official's liability
- Vehicles
- Errors and omissions



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

Village of Magnetic Springs
Union County
P.O. Box 150
Magnetic Springs, Ohio 43036

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, 1999 and December 31, 1998, and have issued our report thereon dated October 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-30680-01 and 1999-30680-02. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 6, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-30680-01. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 6, 2000.

Village of Magnetic Springs
Union County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

October 6, 2000

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1999-30680-01	
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Ohio Admin Code Sections 117-5-11 require that three basic records be maintained by a village. They are the cash journal, the receipts ledger and appropriation ledger. Sections 117-5-09 through 117-5-14 provide formats and instructions for the various forms to be used in connection with the journals and ledgers mentioned previously. The Village did not maintain a cash journal, receipts ledger or an appropriations ledger. These records are essential to maintain budget and fund accountability. We recommend the Village maintain these records and keep them current. The current Clerk is utilizing the UAN accounting system which should alleviate past problems.

1999-30680-02	
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Ohio Rev. Code Section 5705.41(D) states that, "No orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances."

The Village did not utilize purchase orders to certify fund availability during the audit period. This section also provides two "exceptions" to the above requirement:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one hundred dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

We recommend that the Village comply with the aforementioned Code Section to enhance budgetary control over expenditures.



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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
OCTOBER 24, 2000