

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

*FINANCIAL STATEMENTS*

DECEMBER 31, 2009 AND 2008

**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, 2008 through December 31, 2009. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

October 18, 2010

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Village of Magnetic Springs  
Union County, Ohio  
For the Years Ended December 31, 2009 and 2008

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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, 2009 and 2008. 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, 2009 and 2008, 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, 2009 and 2008, or its changes in financial position 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, 2009 and 2008, 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 June 11, 2010, 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

June 11, 2010

**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, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Property and local taxes	\$ 10,941	1,453	12,394
Intergovernmental	9,200	13,004	22,204
Fines, licenses and permits	565	-	565
Earnings on investments	160	890	1,050
Other	<u>249</u>	<u>-</u>	<u>249</u>
Total cash receipts	<u>21,115</u>	<u>15,347</u>	<u>36,462</u>
Cash disbursements:			
Current:			
Security of persons and property	3,300	-	3,300
Leisure time activities	794	-	794
Transportation	-	2,513	2,513
General government	14,843	-	14,843
Capital outlay	<u>300</u>	<u>-</u>	<u>300</u>
Total cash disbursements	<u>19,237</u>	<u>2,513</u>	<u>21,750</u>
Total receipts over disbursements	<u>1,878</u>	<u>12,834</u>	<u>14,712</u>
Fund cash balances, beginning of year	<u>12,544</u>	<u>125,715</u>	<u>138,259</u>
Fund cash balances, end of year	\$ <u>14,422</u>	<u>138,549</u>	<u>152,971</u>
Reserve for encumbrances	\$ <u>2,960</u>	<u>375</u>	<u>3,335</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, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Property and local taxes	\$ 12,588	1,439	14,027
Intergovernmental	10,105	13,708	23,813
Charges for services	1,154	-	1,154
Fines, licenses and permits	421	-	421
Earnings on investments	208	1,082	1,290
Other	<u>1,342</u>	<u>-</u>	<u>1,342</u>
Total cash receipts	<u>25,818</u>	<u>16,229</u>	<u>42,047</u>
Cash disbursements:			
Current:			
Security of persons and property	2,500	-	2,500
Public health services	3,207	-	3,207
Leisure time activities	2,448	-	2,448
Transportation	-	3,148	3,148
General government	<u>23,537</u>	<u>-</u>	<u>23,537</u>
Total cash disbursements	<u>31,692</u>	<u>3,148</u>	<u>34,840</u>
Total receipts over disbursements	<u>(5,874)</u>	<u>13,081</u>	<u>7,207</u>
Other financing receipts (disbursements):			
Other financing uses	<u>(401)</u>	<u>-</u>	<u>(401)</u>
Total other financing receipts (disbursements)	<u>(401)</u>	<u>-</u>	<u>(401)</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(6,275)	13,081	6,806
Fund cash balances, beginning of year	<u>18,819</u>	<u>112,634</u>	<u>131,453</u>
Fund cash balances, end of year	\$ <u>12,544</u>	<u>125,715</u>	<u>138,259</u>
Reserve for encumbrances	\$ <u>1,929</u>	<u>2,021</u>	<u>3,950</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, 2009 and 2008**

(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, Ohio (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, 2009 and 2008**

(1) Summary of Significant Accounting Policies, continued

Budgetary Process

The Ohio Revised Code (ORC) 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.

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 ORC 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 2009 and 2008 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 ORC prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 152,971	138,259

**Village of Magnetic Springs**  
**Notes to the Financial Statements, continued**  
**December 31, 2009 and 2008**

(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, 2009 and 2008 follows:

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 26,463	21,115	(5,348)
Special Revenue	<u>13,190</u>	<u>15,347</u>	<u>2,157</u>
Total	\$ <u>39,653</u>	<u>36,462</u>	<u>(3,191)</u>

<u>Fund Type</u>	<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 27,240	22,197	5,043
Special Revenue	<u>12,700</u>	<u>2,888</u>	<u>9,812</u>
Total	\$ <u>39,940</u>	<u>25,085</u>	<u>14,855</u>

<u>Fund Type</u>	<u>2008 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 26,386	25,818	(568)
Special Revenue	<u>14,547</u>	<u>16,229</u>	<u>1,682</u>
Total	\$ <u>40,933</u>	<u>42,047</u>	<u>1,114</u>

<u>Fund Type</u>	<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 35,058	34,022	1,036
Special Revenue	<u>16,200</u>	<u>5,169</u>	<u>11,031</u>
Total	\$ <u>51,258</u>	<u>39,191</u>	<u>12,067</u>

**Village of Magnetic Springs**  
**Notes to the Financial Statements, continued**  
**December 31, 2009 and 2008**

(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 being phased out – the assessment percentage for property, including inventory. This percentage was reduced to 12.5% for 2007, 6.25% for 2008, and was zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No.66 was signed into law on June 30, 2005. House Bill No.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 Ohio governments (“Members”). The Plan is legally separate from its member governments.

**Village of Magnetic Springs**  
**Notes to the Financial Statements, continued**  
**December 31, 2009 and 2008**

(6) Risk Pool Membership, continued

Pursuant to Section 2744.081 of the ORC, 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. These coverage programs, referred to as Ohio Plan Risk Management (“OPRM”), 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, except OPRM retains 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the ORC. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(5,286,781)</u>
Members’ equity	\$ <u>6,323,701</u>	<u>5,184,333</u>

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

**Village of Magnetic Springs**  
**Notes to the Financial Statements, continued**  
**December 31, 2009 and 2008**

(7) Subsequent Events

Subsequent events have been evaluated through June 11, 2010, which is the date the financial statements were available to be issued.

(8) Compliance

Contrary to Ohio law:

- The Village expended gasoline tax and motor vehicle license taxes in a manner inconsistent with the provisions of ORC Chapter 5735.27(A).
- The Village did not encumber funds prior to expenditure for all disbursements.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- The Village has not taken action to comply with the requirements of ORC Chapter 1347 related to the protection of personal information.
- The Village treats all elected officials as independent contractors, contrary to the requirements of the Internal Revenue Code and guidance provided by the Office of the Auditor of State.

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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, 2009 and 2008, and have issued our report thereon dated June 11, 2010 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*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 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.



Internal Control Over Financial Reporting, continued

We consider finding 2009-01 described in the accompanying schedule of findings to be a material weakness.

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 2009-01 through 2009-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 11, 2010.

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

June 11, 2010

**Village of Magnetic Springs  
Union County, Ohio  
Schedule of Findings  
December 31, 2009 and 2008**

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

Finding Number 2009-01  
Material weakness/noncompliance

Ohio Revised Code (ORC) 5735.27(A) describes permitted uses of Gasoline Tax revenues as follows: to plan, construct, widen, reconstruct and maintain "public" highways, roads and streets. The funds may also be used for the purchase of road machinery and equipment and for the planning, construction and maintenance of suitable buildings for housing road machinery and equipment. In 2009 and 2008, the Village expended these restricted revenues in a manner inconsistent with the provisions of the ORC. In 2009, the Village expended \$2,800 for street lighting. In 2008, the Village expended \$2,500 for street lighting and \$2,919 for repairs and maintenance of the municipal building. Appendix A-1 of the Village Officer's Handbook states that the cost of street lighting is a general fund expense that should be recorded as Program 1, Security of Persons and Property, while expenditures related to the administrative land and building is a general fund expense that should be recorded as Program 7, General Government. These disbursements have been reclassified to the appropriate fund and line item for financial statement presentation.

Village Response:

No response received

Finding Number 2009-02  
Noncompliance

The Village Officer's Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code. While this item was recorded in the appropriate fund, we noted the following error in the Village prepared financial statements that required reclassification between line items in order for the financial statements to be fairly stated:

- In the General Fund for 2009, \$2,196 of real estate tax receipts were recorded as Intergovernmental Receipts instead of Property and Local Taxes.

A reclassification adjustment was made in order for the audited financial statements to properly reflect these receipts.

Village Response:

No response received

**Village of Magnetic Springs  
Union County, Ohio  
Schedule of Findings, continued  
December 31, 2009 and 2008**

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

Finding Number 2009-03  
Noncompliance

In April 2009 ORC Chapter 1347 was added to address the storage, use and distribution of personal information. This chapter requires that the Village adopt a written policy and appoint an individual to be responsible for a personal information system. The personal information system must protect personal information from unauthorized modification, destruction, use or disclosure. The Village has not taken action to comply with this requirement.

Village Response:

No response received

Finding Number 2009-04  
Noncompliance

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. The Village received further guidance from the Auditor of State's office which provided that the Village should issue W-2's with appropriate withholdings if any member of council received more than \$600 per year. Both the Mayor and Fiscal Officer received compensation of greater than \$600 for both 2008 and 2009.

Village Response:

No response received

**Village of Magnetic Springs  
Union County, Ohio  
Schedule of Findings, continued  
December 31, 2009 and 2008**

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

Finding Number 2009-05  
Noncompliance

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.

Funds were not properly encumbered prior to incurring the obligation for four of twenty disbursements selected for testing totaling \$5,242 and one of thirteen disbursements selected for testing totaling \$750 in 2008 and 2009, respectively.

Village Response:

No response received

**Village of Magnetic Springs  
Union County, Ohio  
Schedule of Prior Audit Findings  
December 31, 2009 and 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2007-01	Timely filing of certificate of estimated resources	Yes	Finding no longer valid.
2007-02	Timely adoption of appropriation measure	Yes	Finding no longer valid.
2007-03	Amended certificates of estimated resources	Yes	Finding no longer valid.
2007-04	Budgetary expenditures exceeding appropriation authority	Yes	Finding no longer valid
2007-05	Elected officials treated as independent contractors	No	Repeated as Finding Number 2009-04
2007-06	Timely filing of amended appropriations with County Auditor	Yes	Finding no longer valid.
2007-06	Encumbering funds prior to expenditure	No	Repeated as Finding Number 2009-05

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**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 4, 2010**