

VILLAGE OF MAGNOLIA

STARK COUNTY

Audit Report

For the Years Ended December 31, 2017 and 2016





Dave Yost • Auditor of State

Village Council
Village of Magnolia
PO 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, 2016 through December 31, 2017. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 10, 2018

This page intentionally left blank.

**VILLAGE OF MAGNOLIA
STARK COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types - For the Year Ended December 31, 2017	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2017	4
Notes to the Financial Statements For the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types - For the Year Ended December 31, 2016	15
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016	16
Notes to the Financial Statements For the Year Ended December 31, 2016	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliances and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Schedule of Audit Findings	28
Prepared by Management:	
Corrective Action Plan	29

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting 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 responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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 determinable, 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, 2017 and 2016, and the 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 related notes of the Village of Magnolia, Stark County as of December 31, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.

June 7, 2018

Village of Magnolia Ohio
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, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$133,871	\$54,420	\$0	\$52,607	\$240,898
State Levied Shared Taxes	34,005	38,325	0	1,250	73,580
Intergovernmental Grants/ Contracts	24,249	20,476	0	2,923	47,648
Charges for Services	34,403	19,750	0	0	54,153
Fees, Licenses and Permits	5,314	0	0	0	5,314
Interest Earnings	219	23	0	0	242
Fines and Forfeitures	1,849	735	0	0	2,584
All Other Revenue	5,796	2,600	0	0	8,396
Contributions	0	6,850	0	0	6,850
<i>Total Cash Receipts</i>	<u>239,706</u>	<u>143,179</u>	<u>0</u>	<u>56,780</u>	<u>439,665</u>
Cash Disbursements					
Current:					
Security of Persons and Property	132,845	62,126	0	0	194,971
Public Health Services	4,505	19,703	0	0	24,208
Leisure Time Activities	12,660	0	0	0	12,660
Basic Utility Services	9,294	0	0	0	9,294
Transportation	2,254	30,644	0	0	32,898
General Government	49,918	1,302	0	10,258	61,478
Capital Outlay	0	11,866	0	170,026	181,892
Debt Service					
Principal Retirement	35,460	0	1,578	3,750	40,788
Interest and Fiscal Charges	1,540	0	0	0	1,540
<i>Total Cash Disbursements</i>	<u>248,476</u>	<u>125,641</u>	<u>1,578</u>	<u>184,034</u>	<u>559,729</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,770)</u>	<u>17,538</u>	<u>(1,578)</u>	<u>(127,254)</u>	<u>(120,064)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	0	0	0	75,000	75,000
Transfers In	0	0	1,578	0	1,578
Transfers Out	(1,598)	0	0	0	(1,598)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,598)</u>	<u>0</u>	<u>1,578</u>	<u>75,000</u>	<u>74,980</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,368)</u>	<u>17,538</u>	<u>0</u>	<u>(52,254)</u>	<u>(45,084)</u>
<i>Fund Cash Balances, January 1</i>	<u>81,919</u>	<u>70,990</u>	<u>0</u>	<u>54,737</u>	<u>207,646</u>
Fund Cash Balances, December 31					
Restricted	0	88,528	0	2,483	91,011
Assigned	6,620	0	0	0	6,620
Unassigned	64,931	0	0	0	64,931
Fund Cash Balances, December 31	<u><u>\$71,551</u></u>	<u><u>\$88,528</u></u>	<u><u>\$0</u></u>	<u><u>\$2,483</u></u>	<u><u>\$162,562</u></u>

See accompanying notes to the basic financial statements

Village of Magnolia, Ohio
Stark County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$188,614	\$0	\$188,614
All Other Revenue	413	0	413
Contributions	0	2,977	2,977
<i>Total Operating Cash Receipts</i>	<u>189,027</u>	<u>2,977</u>	<u>192,004</u>
Operating Cash Disbursements			
Materials and Supplies	29,292	0	29,292
Utilities	9,853	0	9,853
General Government	70,989	0	70,989
Basic Utility Services	2,885	0	2,885
Other Operating Expenses	0	7,345	7,345
<i>Total Operating Cash Disbursements</i>	<u>113,019</u>	<u>7,345</u>	<u>120,364</u>
<i>Operating Income</i>	76,008	(4,368)	71,640
Non-Operating Receipts (Disbursements)			
Capital Outlay	(671)	0	(671)
Debt Service - Principal Retirement	(53,345)	0	(53,345)
Debt Service- Interest and Fiscal Charges	(941)	0	(941)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(54,957)</u>	<u>0</u>	<u>(54,957)</u>
Other Financing Receipts (Disbursements)			
Transfers In	163,719	0	163,719
Transfers Out	(163,699)	0	(163,699)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>20</u>	<u>0</u>	<u>20</u>
<i>Net Change in Fund Cash Balances</i>	21,071	(4,368)	16,703
<i>Fund Cash Balances, January 1</i>	<u>76,859</u>	<u>5,902</u>	<u>82,761</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$97,930</u></u>	<u><u>\$1,534</u></u>	<u><u>\$99,464</u></u>

See accompanying notes to the basic financial statements

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Magnolia (the Village), Stark County, 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 government services, including water utilities, park operations, and police services. The Village contracts with the Magnolia Fire Department to provide fire protection services. In addition, the Village provides, under contract, police protection services to the Village of East Sparta and Sandy Township.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in jointly governed organizations and a public entity risk pool. Notes 11 and 12 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 balances (regulatory cash basis) for all 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 or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair 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 streets within the Village.

Cemetery Fund This fund receives levy monies and charges for lot sales in the Village cemetery which are used for the upkeep of the cemetery.

Fire Levy Fund This fund receives levy monies for operating and maintaining the Village Volunteer Fire Department.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Police Levy Fund This fund receives levy monies and provides for police department personnel's wages.

Debt Service Funds 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 This fund accounts for the debt service payments of an Ohio Public Works Commission loan for a storm sewer replacement project.

Capital Project Funds 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 This fund receives levy monies to help with the 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 the provision of water treatment and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency 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 benefit of the maintenance of the Village cemetery for certain individuals.

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. Council 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 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.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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. 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 2017 budgetary activity appears in Note 3.

Deposits

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.

Money market mutual funds are recorded at share values the mutual funds report.

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.

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.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the 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 Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,798	\$239,706	(\$1,092)
Special Revenue	149,404	143,179	(6,225)
Debt Service	1,578	1,578	0
Capital Projects	136,301	131,780	(4,521)
Enterprise	451,892	352,746	(99,146)
Private Purpose Trust	0	2,977	2,977

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Budgetary Activity (continued)

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$322,716	\$256,694	\$66,022
Special Revenue	215,044	125,641	89,403
Debt Service	1,578	1,578	0
Capital Projects	191,039	184,034	7,005
Enterprise	528,751	331,675	197,076
Private Purpose Trust	0	7,345	(7,345)

Note 4 – 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:

	2017
Demand deposits	\$143,088
MMDA	118,938
Total deposits	\$262,026

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. The financial institution joined OPCS in November 2017.

Note 5 – 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, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management

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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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 Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - 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, 2017.

Ohio Police and Fire Retirement System

The Village's two full-time Police Officers belong to the Police and Fire Pension Fund (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 participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC - CT69C	\$6,310	0.00%
Bank of Magnolia Note	3,285	4.00%
Ohio Department of Commerce Loan	71,250	0.00%
Total	\$80,845	

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 using its water collection revenue to pay for this loan.

The Bank of Magnolia Note obtained in 2016 for \$68,450 for a street paving project is a 5-year loan at 4% annual interest. The Village received a \$30,000 grant from the Stark County Commissioners for this project under the 2016 Municipal Road Funds. The loan was paid in full in February 2018.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt (continued)

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’s taxing authority collateralized the Bank of Magnolia and Ohio Department of Commerce loans.

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

Year Ending December 31:	OPWC Loan	Bank of Magnolia Note	Ohio Department of Commerce Loan
2018	\$1,578	\$3,416	\$7,500
2019	1,578		7,500
2020	1,578		7,500
2021	1,576		7,500
2021			7,500
2023-2027			33,750
Total	<u>\$6,310</u>	<u>\$3,416</u>	<u>\$71,250</u>

Note 10 – Contingent Liabilities

The Village is currently not a defendant in any lawsuit.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Jointly Governed Organizations

Stark Council of Governments

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a Regional Council of Governments formed under Chapter 167 of the Ohio Revised Code. Currently, SCOG’s functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County and other cities, villages and townships. The membership elects a nine-member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is not dependent on the Village’s continued participation nor does the Village have any equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Jointly Governed Organizations (continued)

Stark County Regional Planning Commission

The Village participates in the Stark County Regional Planning Commission (the Commission), which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County and other cities, villages and townships. The principal aim of the Commission is to provide comprehensive planning, both long and short term, dealing with the economic and physical environment of Stark County. The Board exercises total authority for the day-to-day operations of the Commission. 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 Stark County Regional Planning Commission, Stark County, Canton, Ohio 44702.

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.

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

(This page left intentionally blank)

Village of Magnolia Ohio
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, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$134,836	\$54,795	\$0	\$50,139	\$239,770
State Levied Shared Taxes	33,792	36,097	0	2,455	72,344
Intergovernmental Grants/ Contracts	54,124	24,508	0	3,061	81,693
Charges for Services	109,288	8,500	0	0	117,788
Fees, Licenses and Permits	4,638	0	0	0	4,638
Interest Earnings	125	10	0	0	135
Fines and Forfeitures	1,480	2,686	0	0	4,166
All Other Revenue	15,738	4,860	0	0	20,598
Contributions	0	40	0	0	40
<i>Total Cash Receipts</i>	<u>354,021</u>	<u>131,496</u>	<u>0</u>	<u>55,655</u>	<u>541,172</u>
Cash Disbursements					
Current:					
Security of Persons and Property	177,266	65,716	0	0	242,982
Public Health Services	4,647	16,790	0	98	21,535
Leisure Time Activities	15,501	0	0	0	15,501
Basic Utility Services	9,030	0	0	0	9,030
Transportation	8,677	34,982	0	0	43,659
General Government	58,603	1,464	0	820	60,887
Capital Outlay	69,250	0	0	0	69,250
Debt Service					
Principal Retirement	50,881	0	1,578	0	52,459
Interest and Fiscal Charges	567	0	0	0	567
<i>Total Cash Disbursements</i>	<u>394,422</u>	<u>118,952</u>	<u>1,578</u>	<u>918</u>	<u>515,870</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,401)</u>	<u>12,544</u>	<u>(1,578)</u>	<u>54,737</u>	<u>25,302</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	68,450	0	0	0	68,450
Transfers In	0	0	1,578	0	1,578
Transfers Out	(1,593)	0	0	0	(1,593)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>66,857</u>	<u>0</u>	<u>1,578</u>	<u>0</u>	<u>68,435</u>
<i>Net Change in Fund Cash Balances</i>	26,456	12,544	0	54,737	93,737
<i>Fund Cash Balances, January 1</i>	<u>55,463</u>	<u>58,446</u>	<u>0</u>	<u>0</u>	<u>113,909</u>
Fund Cash Balances, December 31					
Restricted	0	70,990	0	54,737	125,727
Assigned	7,330	0	0	0	7,330
Unassigned	74,589	0	0	0	74,589
Fund Cash Balances, December 31	<u>\$81,919</u>	<u>\$70,990</u>	<u>\$0</u>	<u>\$54,737</u>	<u>\$207,646</u>

See accompanying notes to the basic financial statements

Village of Magnolia, Ohio
Stark County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$190,641	\$0	\$190,641
Contributions	0	2,957	2,957
<i>Total Operating Cash Receipts</i>	<u>190,641</u>	<u>2,957</u>	<u>193,598</u>
Operating Cash Disbursements			
Materials and Supplies	24,100	0	24,100
Utilities	10,941	0	10,941
General Government	69,995	0	69,995
Basic Utility Services	2,423	0	2,423
Total Operating Cash Disbursements	<u>107,459</u>	<u>0</u>	<u>107,459</u>
<i>Operating Income</i>	83,182	2,957	86,139
Non- Operating Receipts (Disbursements)			
Capital Outlay	(2,056)	0	(2,056)
Debt Service - Principal Retirement	(76,693)	0	(76,693)
Debt Service- Interest and Fiscal Charges	(3,307)	0	(3,307)
Other Non Operating Disbursements	(171)	0	(171)
<i>Total Non- Operating Receipts (Disbursements)</i>	<u>(82,227)</u>	<u>0</u>	<u>(82,227)</u>
Other Financing Receipts (Disbursements)			
Transfers In	190,701	0	190,701
Transfers Out	(190,686)	0	(190,686)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>15</u>	<u>0</u>	<u>15</u>
<i>Net Change in Fund Cash Balances</i>	970	2,957	3,927
<i>Fund Cash Balances, January 1</i>	<u>75,889</u>	<u>2,945</u>	<u>78,834</u>
<i>Fund Cash Balances, December 31</i>	<u>\$76,859</u>	<u>\$5,902</u>	<u>\$82,761</u>

See accompanying notes to the basic financial statements

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Magnolia (the Village), Stark County, 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 government services, including water utilities, park operations, and police services. The Village contracts with the Magnolia Fire Department to provide fire protection services. In addition, the Village provides, under contract, police protection services to the Village of East Sparta and Sandy Township.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in jointly governed organizations and a public entity risk pool. Notes 11 and 12 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 balances (regulatory cash basis) for all 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 or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair 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 streets within the Village.

Cemetery Fund This fund receives levy monies and charges for lot sales in the Village cemetery which are used for the upkeep of the cemetery.

Fire Levy Fund This fund receives levy monies for operating and maintaining the Village Volunteer Fire Department.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Police Levy Fund This fund receives levy monies and provides for police department personnel's wages.

Debt Service Funds 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 This fund accounts for the debt service payments of an Ohio Public Works Commission loan for a storm sewer replacement project.

Capital Project Funds 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 This fund receives levy monies to help with the 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 the provision of water treatment and distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency 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 benefit of the maintenance of the Village cemetery for certain individuals.

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. Council 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 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.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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. 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 2016 budgetary activity appears in Note 3.

Deposits

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.

Money market mutual funds are recorded at share values the mutual funds report.

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.

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.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the 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 Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$397,820	\$422,471	\$24,651
Special Revenue	132,496	131,496	(1,000)
Debt Service	1,578	1,578	0
Capital Projects	61,418	55,655	(5,763)
Enterprise	467,000	381,342	(85,658)
Private Purpose Trust	0	2,957	2,957

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity (continued)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$452,691	\$403,345	\$49,346
Special Revenue	190,656	118,952	71,704
Debt Service	1,578	1,578	0
Capital Projects	61,418	918	60,500
Enterprise	538,090	385,481	152,609
Private Purpose Trust	0	0	0

Note 4 – 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:

Demand deposits	2016 \$171,529
MMDA	118,878
Total deposits	\$290,407

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining OPCS.

Note 5 – 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, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management

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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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 Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - 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, 2016.

Ohio Police and Fire Retirement System

The Village's two full-time Police Officers belong to the Police and Fire Pension Fund (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 participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC - CT69C	\$7,888	0.00%
Bank of Magnolia Notes	38,745	4.00%
Water Tank Refi Loan	53,345	3.25
Total	\$99,978	

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 Water Tank Refinance Loan was obtained from the Bank of Magnolia in 2012 for \$404,175. It is an 8-year loan with an annual interest rate of 3.250%. Instead of the amortization schedule of \$14,402 to be paid quarterly, the Village is making quarterly payments of \$15,000 to \$20,000 to accelerate the retirement of the loan.

The Village is using its water collection revenue to pay for these loans.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt (continued)

The Village obtained a new loan from the Bank of Magnolia in the amount of \$68,450 for another street paving project. It is a 5-year loan at 4% annual interest. The Village received a \$30,000 grant from the Stark County Commissioners for this project under the 2016 Municipal Road Funds. The Village used the grant to prepay the about half of the loan. The Village’s taxing authority collateralized the loan.

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

Year Ending December 31:	OPWC Loan	Bank of Magnolia Note	Water Tank Refi Loan
2017	\$1,578	\$8,574	\$53,345
2018	1,578	8,574	
2019	1,578	8,574	
2020	1,578	8,574	
2021	1,576	8,574	
Total	<u>\$7,888</u>	<u>\$42,870</u>	<u>\$53,345</u>

Note 10 – Contingent Liabilities

The Village is currently not a defendant in any lawsuit.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Jointly Governed Organizations

Stark Council of Governments

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a Regional Council of Governments formed under Chapter 167 of the Ohio Revised Code. Currently, SCOG’s functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County and other cities, villages and townships. The membership elects a nine-member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is not dependent on the Village’s continued participation nor does the Village have any equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

Village of Magnolia, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Jointly Governed Organizations (continued)

Stark County Regional Planning Commission

The Village participates in the Stark County Regional Planning Commission (the Commission), which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County and other cities, villages and townships. The principal aim of the Commission is to provide comprehensive planning, both long and short term, dealing with the economic and physical environment of Stark County. The Board exercises total authority for the day-to-day operations of the Commission. 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 Stark County Regional Planning Commission, Stark County, Canton, Ohio 44702.

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.

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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 the Village Council:

We have audited, in accordance with the 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, 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 7, 2018, 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.

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 that are 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and that we consider to be a material weakness as item 2017-001.

Compliance and Other Matters

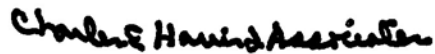
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Entity'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 & Associates, Inc.

June 7, 2018

VILLAGE OF MAGNOLIA
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

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

**FINDING NUMBER 2017-001
Material Weakness**

Audit Adjustments and Reclassifications:

During 2017 and 2016, several errors were noted in the Villages's financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- The Village's Fire Building Fund was classified as a Special Revenue fund rather than a Capital Projects fund;
- Loan proceeds from the Ohio Department of Commerce were posted as Intergovernmental receipts rather than Loan proceeds;
- Donations from a private source for the purpose of cemetery maintenance of a family mausoleum were tracked in a separate bank account and spreadsheet but not recorded in the Village's books nor include in the annual financial report. This also caused disbursements to exceed appropriations contrary to Ohio Revised Code section 5705.41(B).

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Village Officers' Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management Response:

See Corrective Action Plan.

This page intentionally left blank.

VILLAGE OF MAGNOLIA
STARK COUNTY

CORRECTIVE ACTION PLAN
December 31, 2017 and 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The 2019 budget will be changed to Capital Projects Fund for Fire Building Levy fund. Will put donations in Private Purpose Trust fund and include in Village's accounting system. Will obtain advice from bank. Any future loan proceeds will be accounted for in Proceeds of Loans.	Immediately	Lorrie Clevenger, Fiscal Officer

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF MAGNOLIA

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 24, 2018