

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

***Financial Statements*
(Audited)**

For The Years Ended
December 31, 2003 and 2002

DONALD JOLLIFF, FISCAL OFFICER



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Village of Magnetic Springs, Union County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2002 through December 31, 2003. 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 Magnetic Springs is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 7, 2004

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

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Members of Council and Mayor
Village of Magnetic Springs
119 Main Street
Magnetic Springs, OH 43036

We have audited the accompanying financial statements of the Village of Magnetic Springs, Union County, Ohio, as of and for the years ended December 31, 2003 and 2002 as listed in the table of contents. These financial statements are the responsibility of the Village of Magnetic Springs's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the Village of Magnetic Springs prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Village of Magnetic Springs, Union County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2004, on our consideration of the Village of Magnetic Springs's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



Trimble, Julian & Grube, Inc.
August 24, 2004

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

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2003 AND 2002

<u>Cash and Cash Equivalents</u>	<u>2003</u>	<u>2002</u>
Cash and Cash Equivalents	\$ 93,018	\$ 88,495
Total Cash and Cash Equivalents	<u>\$ 93,018</u>	<u>\$ 88,495</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 14,706	\$ 26,392
Special Revenue Funds	<u>78,312</u>	<u>62,103</u>
Total Governmental Fund Types	<u>93,018</u>	<u>88,495</u>
Total Fund Balances	<u>\$ 93,018</u>	<u>\$ 88,495</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 9,656	\$ -	\$ 9,656
Intergovernmental	3,002	17,473	20,475
Charges for services	3,214	-	3,214
Interest	215	458	673
Miscellaneous	679	-	679
Total cash receipts	<u>16,766</u>	<u>17,931</u>	<u>34,697</u>
Cash disbursements:			
Current:			
Public health services	3,000	-	3,000
Basic utility services	-	835	835
Transportation	-	887	887
General government	20,203	-	20,203
Total cash disbursements	<u>23,203</u>	<u>1,722</u>	<u>24,925</u>
Total cash receipts over/(under) cash disbursements	<u>(6,437)</u>	<u>16,209</u>	<u>9,772</u>
Other financing (disbursements):			
Contingencies	<u>(5,249)</u>	<u>-</u>	<u>(5,249)</u>
Total other financing (disbursements)	<u>(5,249)</u>	<u>-</u>	<u>(5,249)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(11,686)	16,209	4,523
Cash fund balances, January 1, 2003	<u>26,392</u>	<u>62,103</u>	<u>88,495</u>
Cash fund balances, December 31, 2003	<u>\$ 14,706</u>	<u>\$ 78,312</u>	<u>\$ 93,018</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts				Disbursements						Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03		Total
Governmental:												
General	\$ 26,702	\$ 25,240	\$ 51,942	\$ 16,766	\$ (8,474)	\$ -	\$ 29,937	\$ 29,937	\$ 28,452	\$ -	\$ 28,452	\$ 1,485
Special Revenue	61,793	8,924	70,717	17,931	9,007	-	25,832	25,832	1,722	-	1,722	24,110
Total	\$ 88,495	\$ 34,164	\$ 122,659	\$ 34,697	\$ 533	\$ -	\$ 55,769	\$ 55,769	\$ 30,174	\$ -	\$ 30,174	\$ 25,595
(Memorandum Only)												

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 10,060	\$ -	\$ 10,060
Intergovernmental	3,024	19,846	22,870
Fines, licenses, and permits	244	-	244
Charges for services	6,364	-	6,364
Interest	326	586	912
Miscellaneous	410	-	410
Total cash receipts	<u>20,428</u>	<u>20,432</u>	<u>40,860</u>
Cash disbursements:			
Current:			
Security of persons and property	456	-	456
Public health services	4,845	-	4,845
Leisure time activities	151	-	151
Basic utility services	-	786	786
Transportation	-	7,987	7,987
General government	16,762	-	16,762
Total cash disbursements	<u>22,214</u>	<u>8,773</u>	<u>30,987</u>
Total cash receipts over/(under) cash disbursements	<u>(1,786)</u>	<u>11,659</u>	<u>9,873</u>
Other financing (disbursements):			
Contingencies	<u>(5,833)</u>	<u>-</u>	<u>(5,833)</u>
Total other financing (disbursements)	<u>(5,833)</u>	<u>-</u>	<u>(5,833)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(7,619)	11,659	4,040
Cash fund balances, January 1, 2002	<u>34,011</u>	<u>50,444</u>	<u>84,455</u>
Cash fund balances, December 31, 2002	<u>\$ 26,392</u>	<u>\$ 62,103</u>	<u>\$ 88,495</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2002 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2002 Appropriations	Total	Actual 2002 Disbursements	Encumbrances Outstanding at 12/31/02	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 34,011	\$ 13,080	\$ 47,091	\$ 20,428	\$ 7,348	\$ -	\$ 23,734	\$ 23,734	\$ 28,047	\$ -	\$ 28,047	\$ (4,313)
Special Revenue	50,444	19,263	69,707	20,432	1,169	-	8,991	8,991	8,773	-	8,773	218
Total												
(Memorandum Only)	\$ 84,455	\$ 32,343	\$ 116,798	\$ 40,860	\$ 8,517	\$ -	\$ 32,725	\$ 32,725	\$ 36,820	\$ -	\$ 36,820	\$ (4,095)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included 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 are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

B. BASIS OF ACCOUNTING

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

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

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village did not have outstanding encumbrances at December 31, 2003 and 2002.

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$673 and \$912 for the years ended December 31, 2003 and 2002, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 3 - COMPLIANCE

- A. In noncompliance with Ohio Revised Code Section 5705.39, the following funds had appropriations in excess of estimated resources for the years ended December 31, 2003 and 2002:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
2003			
<u>Special Revenue Fund</u>			
Park Fund	\$ -	\$ 1,000	\$ (1,000)
2002			
<u>Special Revenue Fund</u>			
Park Fund	-	623	(623)

- B. The following funds had expenditures in excess of appropriations for the years ended December 31, 2003 and 2002 in noncompliance with Ohio Revised Code Section 5705.41(B).

<u>Fund Type/Fund/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2003			
<u>General Fund</u>			
Mayor Salary	\$ 750	\$ 1,000	\$ (250)
Insurance and Bonding	2,456	4,813	(2,357)
Electricity	1,200	1,500	(300)
Telephone	611	989	(378)
Other Contracted Services	2,236	2,535	(299)
Other Supplies and Materials	1,208	2,999	(1,791)
Other Professional and Technical Services	217	369	(152)
2002			
<u>General Fund</u>			
Other Contracted Services	2,028	3,026	(998)
County Auditor's and Treas. Fees	101	217	(116)
Auditing	-	2,996	(2,996)
Contingencies	-	5,832	(5,832)
<u>Special Revenue</u>			
Street Construction and Repair			
Other Supplies and Materials	169	2,012	(1,843)

The Village did not properly encumber all commitments as required by Ohio law, contrary to Code Section 5705.41(D), Ohio Revised Code.

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 93,018	\$ 88,495
Total Deposits	<u>\$ 93,018</u>	<u>\$ 88,495</u>

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

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Public utilities are also taxed on personal and real property located within the Village.

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

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

VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 6 - RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and Omissions

NOTE 7 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and Mayor
Village of Magnetic Springs
119 Main Street
Magnetic Springs, Ohio 43036

We have audited the financial statements of the Village of Magnetic Springs, Union County, Ohio as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Magnetic Springs's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2003-VOMS-001, 2003-VOMS-002, 2003-VOMS-005 and 2003-VOMS-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village of Magnetic Springs in a separate letter dated August 24, 2004.

Members of Council and Mayor
Village of Magnetic Springs

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2003-VOMS-003 and 2003-VOMS-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated August 24, 2004.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
August 24, 2004

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

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

Finding Number	2003-VOMS-001
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Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

It was noted during the audit that in the years ended December 31, 2003 and 2002, the Village had expenditures in excess of appropriations in the following line items:

<u>Fund Type/Fund/Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2003			
<u>General Fund</u>			
Mayor Salary	\$ 750	\$ 1,000	\$ (250)
Insurance and Bonding	2,456	4,813	(2,357)
Electricity	1,200	1,500	(300)
Telephone	611	989	(378)
Other Contracted Services	2,236	2,535	(299)
Other Supplies and Materials	1,208	2,999	(1,791)
Other Professional and Technical Services	217	369	(152)
2002			
<u>General Fund</u>			
Other Contracted Services	2,028	3,026	(998)
County Auditor's and Treas. Fees	101	217	(116)
Auditing	-	2,996	(2,996)
Contingencies	-	5,832	(5,832)
<u>Special Revenue</u>			
Street Construction and Repair			
Other Supplies and Materials	169	2,012	(1,843)

With expenditures exceeding appropriations, the Village is expending monies that have not been appropriated and approved by Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by more frequently comparing actual expenditures to appropriations at the object level to avoid potential overspending. This may be accomplished by utilizing the computer financial software and monitoring the budgetary process continuously.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

**1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)**

Finding Number	2003-VOMS-002
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit for the years ended December 31, 2003 and 2002, that the Village had appropriations exceeding estimated resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
2003			
<u>Special Revenue Fund</u>			
Park Fund	\$ -	\$ 1,000	\$ (1,000)
2002			
<u>Special Revenue Fund</u>			
Park Fund	-	623	(623)

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Village's depository or in the process of collection that were certified to the County Auditor. This may result in a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)

Finding Number	2003-VOMS-003
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The Village did not accurately post estimated receipts and appropriations to the accounting system for the years ended December 31, 2003 and 2002. Estimated receipts for all funds were incorrectly posted for 2003 and the General fund was incorrectly posted for 2002, based on the amounts certified by the County Budget Commission. Also, 2003 and 2002 appropriations varied from legislatively adopted appropriations by \$(25,597) and \$5,231, respectively. Failure to post amounts adopted by the legislative body may result in expenditure activity that is not in accordance with Council's guidelines and also hinders effective monitoring of the budget by management and council.

We recommend that the Village post estimated receipts, as certified by the Budget Commission, to the Village's ledgers. We also recommend that appropriations should be posted to the appropriation ledger only as approved by Council Resolution.

Finding Number	2003-VOMS-004
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Certain financial reports were presented to Council for review (e.g. Fiscal Officer's report, fund status, fund summary). However, there was no evidence that Council performed monitoring of budgeted versus actual receipts and disbursements or bank reconciliations during the audit period. Lack of legislative monitoring may lead to improper or unauthorized use of Village monies.

We recommend that on a monthly basis Council should monitor budgeted versus actual revenue and budgeted versus actual expenditures to identify unusual or inconsistent fluctuations in the Village's financial activity. We also recommend bank reconciliations and monthly fund balance reports from the accounting system to be provided to Council to ensure the Village is reconciled and the payments to the vendors are actually made.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)

Finding Number	2003-VOMS-005
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit for the years ending December 31, 2003 and 2002 that the Village does not process purchase orders prior to expending funds. A listing of all disbursements is provided to the Council members at each meeting (if applicable) prior to payment but, not prior to the purchase being made.

Without timely certification, the Village may expend more funds than available in the treasury, in the process of collection or than funds appropriated. In addition, by purchasing items prior to Council Member approval or absent the purchase order process, the potential for unnecessary purchases or items for proper public purpose cannot be prevented if approval is after the fact.

We recommend that the Village implement a policy and procedure for the use of purchase orders to help ensure that the disbursements are timely certified. This will help ensure that all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)

Finding Number	2003-VOMS-006
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Ohio Revised Code Section 5705.14(B) states the unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision. However, if such money is not required to meet obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

During the previous audit period, the amount of \$9,664 representing the balance of the special assessment lighting fund was transferred to the general fund at the conclusion of the street lighting project without approval from the court of common pleas. We recommend the Village obtain retroactive approval for this transfer from the court.

**VILLAGE OF MAGNETIC SPRINGS
UNION COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

STATUS OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30680-001	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	The Village Fiscal Officer is attempting to properly submit and approve purchase orders before purchases are made.
2001-30680-002	Transfer-Finding for Adjustment	No	The Village Fiscal Officer did not obtain court approval for this transfer.
2001-30680-003	Board Monitoring	No	The Village Fiscal Officer is attempting to supply Council with suggested reports.
2001-30680-004	Budgetary Posting	No	The Village Fiscal Officer is attempting to correctly post estimated revenue and appropriations to the Village's ledgers.



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VILLAGE OF MAGNETIC SPRINGS

UNION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**