

***VILLAGE OF MAGNOLIA***

***STARK COUNTY***

Regular Audit

For the Years Ended December 31, 2021 and 2020







88 East Broad Street  
Columbus, Ohio 43215  
IPARepor**t**@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Village of Magnolia  
PO Box 297  
Magnolia, OH 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, 2020 through December 31, 2021. 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.

Keith Faber  
Auditor of State  
Columbus, Ohio

November 23, 2022

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***Village of Magnolia***  
***Stark County***  
For the Years Ended December 31, 2021 and 2020

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*Village of Magnolia*  
*Stark County*  
For the Years Ended December 31, 2021 and 2020

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**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 Audit of the Financial Statements***

***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Magnolia, Stark County, Ohio (the Village), which comprise the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position or cash flows thereof for the year then ended.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.***  
October 26, 2022

**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, 2021*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 149,492	\$ 57,037	\$ -	\$ -	\$ 206,529
Intergovernmental	50,038	136,693	-	-	186,731
Charges for Services	82,690	10,341	-	-	93,031
Fines, Licenses and Permits	9,036	100	-	-	9,136
Earnings on Investments	138	35	-	-	173
Miscellaneous	11,390	229,974	-	5,244	246,608
<i>Total Cash Receipts</i>	<u>302,784</u>	<u>434,180</u>	<u>-</u>	<u>5,244</u>	<u>742,208</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	119,642	63,571	-	-	183,213
Public Health Services	4,433	46,381	-	-	50,814
Leisure Time Activities	24,576	125,827	-	-	150,403
Transportation	24,038	79,175	-	-	103,213
General Government	92,149	53,274	-	-	145,423
Capital Outlay	50,108	6,669	-	-	56,777
Debt Service:					
Principal Retirement	1,578	-	1,578	48,750	51,906
<i>Total Cash Disbursements</i>	<u>316,524</u>	<u>374,897</u>	<u>1,578</u>	<u>48,750</u>	<u>741,749</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,740)</u>	<u>59,283</u>	<u>(1,578)</u>	<u>(43,506)</u>	<u>459</u>
<b>Other Financing Receipts (Disbursements)</b>					
Loans Issued	25,175	-	-	-	25,175
<i>Total Other Financing Receipts (Disbursements)</i>	<u>25,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,175</u>
<i>Net Change in Fund Cash Balances</i>	11,435	59,283	(1,578)	(43,506)	25,634
<i>Fund Cash Balances, January 1</i>	<u>118,894</u>	<u>146,547</u>	<u>-</u>	<u>43,506</u>	<u>308,947</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 130,329</u>	<u>\$ 205,830</u>	<u>\$ (1,578)</u>	<u>\$ -</u>	<u>\$ 334,581</u>

*See accompanying notes to the financial statements*

**Village of Magnolia, Ohio**  
*Stark County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2021*

	Proprietary Fund Types
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 196,913
<i>Total Operating Cash Receipts</i>	<i>196,913</i>
<b>Operating Cash Disbursements</b>	
Personal Services	51,010
Employee Fringe Benefits	14,734
Contractual Services	37,588
Supplies and Materials	134,682
<i>Total Operating Cash Disbursements</i>	<i>238,014</i>
<i>Operating Income (Loss)</i>	<i>(41,101)</i>
<b>Non-Operating (Disbursements)</b>	
Capital Outlay	(745)
<i>Total Non-Operating (Disbursements)</i>	<i>(745)</i>
<i>Income (Loss) before Transfers</i>	<i>(41,846)</i>
Transfers In	196,544
Transfers Out	(196,544)
<i>Net Change in Fund Cash Balances</i>	<i>(41,846)</i>
<i>Fund Cash Balances, January 1</i>	<i>240,684</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 198,838</i>

*See accompanying notes to the financial statements*

**Village of Magnolia**  
*Stark County*  
*Combined Statement of Additions, Deductions*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Fiduciary Fund Types*  
*For the Year Ended December 31, 2021*

	<u>Fiduciary Fund Types</u>
	Private Purpose Trust
<b>Additions</b>	
Gifts and Donations	\$ 12,999
<i>Total Additions</i>	12,999
<b>Deductions</b>	
Other Distributions	8,655
<i>Total Deductions</i>	8,655
<i>Net Change in Fund Balances</i>	4,344
<i>Fund Cash Balances, January 1</i>	8,759
<i>Fund Cash Balances, December 31</i>	\$ 13,103

*See accompanying notes to the financial statements*

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 – Reporting Entity**

The Village of Magnolia, Stark County, Ohio (the Village), 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 governmental services, including water utilities, park operations, and police services. In addition, the Village is contracted to provide police protection services to the Village of East Sparta.

***Jointly Governed Organizations***

The Village participates in the Stark Council of Governments (SCOG), the Stark County Regional Planning Commission and the Carroll County Regional Planning Commission, all jointly governed organizations. Note 13 to the financial statements provides additional information for these entities.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc. and Careworks Comp., both public entity risk pools. Note 6 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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types, which are all 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:

***Fire Levy Fund*** The fire levy fund accounts for and reports the receipt of property taxes for the operation and maintenance of the Village Volunteer Fire Department.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Street Construction Maintenance and Repair Fund*** 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 street within the Village.

***Cemetery Fund*** This fund receives money from property tax monies, sales of grave lots, and opening & closing of graves. The money is used for any maintenance needed in the cemetery and to purchase equipment.

***Police Levy Fund*** The police levy fund accounts for and reports the receipt of property taxes for the police department's personnel expenses.

***Debt Service Fund*** 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*** The storm sewer project fund accounts for and reports the receipt of General Fund transfers that are committed to the repayment of an Ohio Public Works Commission loan for a storm sewer replacement project.

***Capital Project Fund*** 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*** The fire levy building fund accounts for and reports the receipt of funds for the purpose of completing 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 and reports the receipt of charges for services from residents to cover the cost of providing water treatment and distribution to the residents and commercial users located within the Village.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village has no custodial or investment trust funds.

Trust funds account for assets held under a trust agreement meeting certain criteria. The private purpose trust fund accounts for a family mausoleum of a resident.

***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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements 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 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

***Appropriations*** Budgetary disbursements (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. 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 2021 budgetary activity appears in Note 3.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Deposits and Investments***

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.

***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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonspendable portion of the corpus in permanent funds.

***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.

***Committed*** Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless 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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

***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.



**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2021 follows:

Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 326,700	\$ 327,959	\$ 1,259
Special Revenue	464,179	434,180	(29,999)
Debt Service	1,578	-	(1,578)
Capital Projects	5,244	5,244	-
Enterprise	662,630	393,457	(269,173)
Fiduciary	12,999	12,999	-

2021 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Disbursements	
General	\$ 424,596	\$ 316,524	\$ 108,072
Special Revenue	558,808	374,897	183,911
Debt Service	1,578	1,578	-
Capital Projects	48,750	48,750	-
Enterprise	706,570	435,303	271,267
Fiduciary	8,655	8,655	-

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 4 – Deposits and Investments**

The Village maintains a deposits 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:

	2021
Demand deposits	<u>\$ 487,729</u>
Total deposits	487,729
MMDA	<u>58,793</u>
Total investments	58,793
Total deposits and investments	<u><u>\$ 546,522</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. The Village did not have any unremitted employee payroll withholdings at year end.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 6 – Risk Management**

***Workers' Compensation***

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Risk Pool Membership***

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.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>( 15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most Village 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 health care and survivor and disability benefits.

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, 2021.

***Ohio Police and Fire Retirement System***

The Village's certified full-time police officers belong to the Ohio 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 health care 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, 2021.

**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 OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during calendar year 2021. OP&F contributed 0.5% to fund these benefits in 2021.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 9 – Debt**

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
Municipal Bond	\$ 25,175	3.87%

**Municipal Bond** – During December of 2021, the Village obtained a Municipal Bond to purchase a Police Cruiser in the amount of \$25,000. The Bond will be repaid in monthly payments of \$567. Maturity date of this bond is December 31, 2025.

***Amortization***

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

Year ending December 31:	Municipal Bond
2022	\$ 6,804
2023	6,804
2024	6,804
2025	6,804
Total	\$27,216

**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Note 11 – Covid 19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 12 – Fund Balance**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service, and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned. At year end, there were no outstanding encumbrances.

**Note 13 – Jointly Governed Organizations**

***Stark Council of Governments***

The Village participates in Stark Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and Villages with twenty-four participants providing twenty seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting, and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens in the Village. The Village did not make any contributions during the fiscal year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from Stark Council of Governments, Canton, Ohio.

***Stark County Regional Planning Commission***

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

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 13 – Jointly Governed Organizations – (continued)**

***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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY 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 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 for each governmental and proprietary fund type and the fiduciary fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements of the Village of Magnolia, Stark County, (the Village) and have issued our report thereon dated October 26, 2022, wherein we noted that the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

***Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes 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 identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 that we consider to be material weaknesses.



***Report on 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 financial statements. 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*.

We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 26, 2022.

***Village's Responses to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying corrective action plan. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***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.***  
October 26, 2022

**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 for each governmental and proprietary fund type and the fiduciary fund type as of and for the year ended December 31, 2020, and related notes of the Village of Magnolia, Stark County, (the Village).

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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(C), 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 determined, 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(C) 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, 2020, and the changes in financial position or cash flows for the year 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 for each governmental and proprietary fund type and the fiduciary fund type as of and for the year ended December 31, 2020, and the related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. As discussed in Note 14 to the financial statements, the Village made changes to its cash basis reporting model. We did not modify our opinions regarding these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.***  
October 26, 2022

**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, 2020*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 199,703	\$ 122,307	\$ 60,858	\$ 382,868
Intergovernmental	10,344	77,499	2,230	90,073
Charges for Services	83,743	12,100	-	95,843
Fines, Licenses and Permits	1,224	135	-	1,359
Earnings on Investments	160	14	-	174
Miscellaneous	2,018	1,603	-	3,621
<i>Total Cash Receipts</i>	<u>297,192</u>	<u>213,658</u>	<u>63,088</u>	<u>573,938</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	118,570	71,196	-	189,766
Public Health Services	4,726	17,632	-	22,358
Leisure Time Activities	35,621	-	-	35,621
Community Environment	-	37,197	-	37,197
Basic Utility Services	6,781	-	-	6,781
Transportation	15,075	37,385	-	52,460
General Government	72,721	1,115	1,095	74,931
Debt Service:				
Principal Retirement	14,758	-	42,497	57,255
Interest and Fiscal Charges	895	-	1,092	1,987
<i>Total Cash Disbursements</i>	<u>269,147</u>	<u>164,525</u>	<u>44,684</u>	<u>478,356</u>
<i>Net Change in Fund Cash Balances</i>	28,045	49,133	18,404	95,582
<i>Fund Cash Balances, January 1</i>	<u>90,849</u>	<u>97,414</u>	<u>25,102</u>	<u>213,365</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 118,894</u>	<u>\$ 146,547</u>	<u>\$ 43,506</u>	<u>\$ 308,947</u>

*See accompanying notes to the financial statements*

**Village of Magnolia, Ohio**  
*Stark County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2020*

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 195,752
<i>Total Operating Cash Receipts</i>	<u>195,752</u>
<b>Operating Cash Disbursements</b>	
Personal Services	53,089
Employee Fringe Benefits	13,336
Contractual Services	12,130
Supplies and Materials	24,719
Other	32,566
<i>Total Operating Cash Disbursements</i>	<u>135,840</u>
<i>Operating Income (Loss)</i>	59,912
<b>Other Financing Receipts (Disbursements)</b>	
Transfers In	206,840
Transfers Out	(206,840)
<i>Net Change in Fund Cash Balances</i>	<u>59,912</u>
<i>Fund Cash Balances, January 1</i>	<u>180,772</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 240,684</u>

*See accompanying notes to the financial statements*

**Village of Magnolia**  
*Stark County*  
*Combined Statement of Additions, Deductions*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Fiduciary Fund Types*  
*For the Year Ended December 31, 2020*

	<u>Fiduciary Fund Types</u>
	Private Purpose Trust
<b>Additions</b>	
Gifts and Donations	\$ 3,018
<i>Total Additions</i>	3,018
<b>Deductions</b>	
Other Distributions	121
<i>Total Deductions</i>	121
<i>Net Change in Fund Balances</i>	2,897
<i>Fund Cash Balances, January 1</i>	5,862
<i>Fund Cash Balances, December 31</i>	\$ 8,759

*See accompanying notes to the financial statements*

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 1 – Reporting Entity**

The Village of Magnolia, Stark County, Ohio (the Village), 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 governmental services, including water utilities, park operations, and police services. In addition, the Village is contracted to provide police protection services to the Village of East Sparta.

***Jointly Governed Organizations***

The Village participates in the Stark Council of Governments (SCOG), the Stark County Regional Planning Commission and the Carroll County Regional Planning Commission, all jointly governed organizations. Note 13 to the financial statements provides additional information for these entities.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc. and Careworks Comp., both public entity risk pools. Note 6 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 fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types, which are all 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:

***Fire Levy Fund*** The fire levy fund accounts for and reports the receipt of property taxes for the operation and maintenance of the Village Volunteer Fire Department.



**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Street Construction Maintenance and Repair Fund*** 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 street within the Village.

***Cemetery Fund*** This fund receives money from property tax monies, sales of grave lots, and opening & closing of graves. The money is used for any maintenance needed in the cemetery and to purchase equipment.

***Police Levy Fund*** The police levy fund accounts for and reports the receipt of property taxes for the police department's personnel expenses.

***Debt Service Fund*** 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*** The storm sewer project fund accounts for and reports the receipt of General Fund transfers that are committed to the repayment of an Ohio Public Works Commission loan for a storm sewer replacement project.

***Capital Project Fund*** 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*** The fire levy building fund accounts for and reports the receipt of property taxes for the purpose of completing 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 and reports the receipt of charges for services from residents to cover the cost of providing water treatment and distribution to the residents and commercial users located within the Village.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village has no custodial or investment trust funds.

Trust funds account for assets held under a trust agreement meeting certain criteria. The private purpose trust fund accounts for a family mausoleum of a resident.

***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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements 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 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

***Appropriations*** Budgetary disbursements (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. 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 2020 budgetary activity appears in Note 3.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***Deposits and Investments***

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.

***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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

***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.

***Committed*** Council can commit amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless 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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

***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.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 2 – Summary of Significant Accounting Policies (continued)**

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ended December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 265,000	\$ 297,192	\$ 32,192
Special Revenue	182,047	213,658	31,611
Debt Service	1,578	-	(1,578)
Capital Projects	70,000	63,088	(6,912)
Enterprise	621,114	402,592	(218,522)
Fiduciary	3,018	3,018	-

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 345,742	\$ 269,147	\$ 76,595
Special Revenue	219,521	164,525	54,996
Debt Service	1,578	-	1,578
Capital Projects	87,438	44,684	42,754
Enterprise	646,772	342,680	304,092
Fiduciary	121	121	-

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 4 – Deposits and Investments**

The Village maintains a deposits 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:

	2020
Demand deposits	\$ 459,316
Total deposits	459,316
MMDA	99,074
Total investments	99,074
Total deposits and investments	\$ 558,390

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding no unremitted employee payroll withholdings.

**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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 6 – Risk Management**

***Workers' Compensation***

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

***Risk Pool Membership***

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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>( 13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

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

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most Village 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 health care and survivor and disability benefits.

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, 2020.

***Ohio Police and Fire Retirement System***

The Village's certified full-time police officers belong to the Ohio 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 health care 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, 2020.

**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 OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4% during calendar year 2020. OP&F contributed 0.5% to fund these benefits in 2020.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 9 – Debt**

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
OPWC Loan	\$ 3,153	0.00%
Ohio Department of Commerce Loan	48,753	0.00%
Total	\$ 51,906	

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 making payments from the General Fund.

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 is making payments from the Fire Levy Building Fund.

***Amortization***

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

Year ending December 31:	OPWC Loan	Ohio Dept. Of Commerce Loan
2021	\$ 3,153	\$ 7,500
2022	-	7,500
2023	-	7,500
2024	-	7,500
2025	-	7,500
2026-2027	-	11,253
Total	\$ 3,153	\$ 48,753

**Note 10 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.



**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 11 – Covid 19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 12 – Fund Balance**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned. At year end, there were no outstanding encumbrances.

**Note 13 – Jointly Governed Organizations**

***Stark Council of Governments***

The Village participates in Stark Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and Villages with twenty-four participants providing twenty seven representatives. The Village appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting, and designating management. Continued existence of the Council is not dependent on the Village's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens in the Village. The Village did not make any contributions during the fiscal year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from Stark Council of Governments, Canton, Ohio.

**Village of Magnolia**  
*Stark County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 13 – Jointly Governed Organizations – (continued)**

***Stark County Regional Planning Commission***

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

***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 14 – Change in Accounting Principle**

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – All Fiduciary Fund Types, and removing the Fund balance classifications from the Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY 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 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 for each governmental and proprietary fund type and the fiduciary fund type as of and for the year ended December 31, 2020, and the related notes of the Village of Magnolia, Stark County, (the Village) and have issued our report thereon dated October 26, 2022, wherein we noted that the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, we noted the change in the Village's reporting model.

***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 identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 that we consider to be material weaknesses.

***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*.

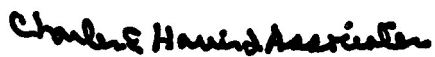
We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 26, 2022.

***Village's Responses to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

***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.***  
October 26, 2022

*Village of Magnolia*  
*Stark County*  
Schedule of Findings  
December 31, 2021 and 2020

<b>Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS</b>
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**Finding Number: 2021-001 – Material Weakness**

**Audit Adjustments and Reclassifications**

During 2021 and 2020, errors were noted in the Village’s financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- During 2021, expenditures on new police cruisers were reclassified from Security of Persons & Property to Capital Outlay in the General Fund in the amount of \$ 49,993.
- During 2021, new debt was reclassified from Miscellaneous Revenue to Loans issued in the amount of \$25,000.
- During 2020, rollback taxes in the amount of \$2,230 were reclassified from Property taxes to Intergovernmental Revenues in the capital projects funds.
- In 2020, the Village changed its Fiscal Officer. The subsequent Fiscal Officer did not file a Hinkle Report for the year ended December 31, 2020. During the year ended December 31, 2021 the Village switched to the UAN system and filed a timely Hinkle report for 2021. The new Fiscal Officer was alerted to the missing Hinkle Report and filed the 2020 Hinkle Report from the old system. The fund/function mapping used for both years was different from previous years. The following funds were reported differently:
  - Capital Project Fund-Storm Sewer Project was reported as a Debt Service Fund in the previous audit. During 2020 and 2021, this fund was reported as a Special Revenue Fund.
  - Fire Levy Building Fund was reported as a Capital Projects fund in the previous audit. During 2020 and 2021, this fund was reported as a Special Revenue Fund.
  - Mortgage Rev. Bond & Interest Sinking Fund was reported as an Enterprise Fund in the previous audit. During 2020 and 2021, this fund was reported as a Debt Service fund.
  - Disbursement line items were reclassified to comply with the Auditor of State guidance.
- In both 2021 and 2020, the Village did not include the activity of a private purpose trust in their accounting system, bank reconciliation nor Hinkle report.
- The notes to the financial statements included outdated information and excluded required disclosures.

Other immaterial posting errors were also noted and brought to the attention of management. 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 Officer’s Handbook, UAN manual and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

**Management’s Response:**

See Corrective Action Plan

*Village of Magnolia*  
*Stark County*  
Schedule of Findings – (Continued)  
December 31, 2021 and 2020

<b>Findings Related to the Financial Statements</b> <b>Required to be Reported in Accordance with GAGAS – (Continued)</b>
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**Finding Number: 2021-002 – Material Weakness**

**Bank Reconciliations**

During Fiscal year 2020 and 2021, the prior Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. The lack of proper reconciliations among the bank statements and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. Many of these items were identified in Finding 2021-001 above.

We recommend the Fiscal Officer prepare detailed bank reconciliations in a timely fashion that include all bank account balances being reconciled to total fund balances, with support for all reconciling items or other adjusting factors. Bank reconciliations should be presented to the Board for review and approval in a timely fashion for use in managing the Village financial activity.

**Management's Response:**

See Corrective Action Plan

**Village of Magnolia**  
**Stark County**  
*Schedule of Prior Audit Findings*  
*(Prepared by Management)*  
*December 31, 2021 and 2020*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources	corrected.	

**Village of Magnolia**  
**Stark County**  
*Corrective Action Plan*  
*(Prepared by Management)*  
*December 31, 2021 and 2020*

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2021-001	The Fiscal Officer will closely review all transactions and correctly map all the funds for financial statement reporting purposes.	Immediately	Penny Rainsberge, Fiscal Officer
2021-002	The Fiscal Officer will closely review and perform Bank Reconciliations on time.	Immediately	Penny Rainsberge, Fiscal Officer



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF MAGNOLIA**

**STARK COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 12/6/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)