



Dave Yost • Auditor of State

VILLAGE OF MALTA
MORGAN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Malta
Morgan County
P.O. Box 307
Malta, Ohio 43758

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Malta, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Malta, Morgan County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Malta adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$7,468	\$13,229	\$20,697
Municipal Income Tax	105,187		105,187
Intergovernmental	53,367	30,060	83,427
Fines, Licenses and Permits	9,087	238	9,325
Earnings on Investments	533	274	807
Miscellaneous	2,165	222	2,387
<i>Total Cash Receipts</i>	<u>177,807</u>	<u>44,023</u>	<u>221,830</u>
Cash Disbursements			
Current:			
Security of Persons and Property	235	9,218	9,453
Transportation		31,989	31,989
General Government	126,645		126,645
<i>Total Cash Disbursements</i>	<u>126,880</u>	<u>41,207</u>	<u>168,087</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,927</u>	<u>2,816</u>	<u>53,743</u>
<i>Fund Cash Balances, January 1</i>	<u>67,594</u>	<u>38,393</u>	<u>105,987</u>
Fund Cash Balances, December 31			
Restricted		41,209	41,209
Unassigned (Deficit)	118,521		118,521
<i>Fund Cash Balances, December 31</i>	<u>\$118,521</u>	<u>\$41,209</u>	<u>\$159,730</u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$473,060		\$473,060
<i>Total Operating Cash Receipts</i>	<u>473,060</u>	<u>\$0</u>	<u>473,060</u>
Operating Cash Disbursements			
Personal Services	55,602		55,602
Employee Fringe Benefits	17,927		17,927
Contractual Services	1,316,069		1,316,069
Supplies and Materials	89,119		89,119
<i>Total Operating Cash Disbursements</i>	<u>1,478,717</u>	<u>0</u>	<u>1,478,717</u>
<i>Operating Income (Loss)</i>	<u>(1,005,657)</u>	<u>0</u>	<u>(1,005,657)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	269,052		269,052
Special Assessments	3,762		3,762
Earnings on Investments (proprietary funds only)	7		7
Other Debt Proceeds	1,056,883		1,056,883
Miscellaneous Receipts	11,993		11,993
Principal Retirement	(219,602)		(219,602)
Interest and Other Fiscal Charges	(13,273)		(13,273)
Other Financing Sources		11,078	11,078
Other Financing Uses		(11,332)	(11,332)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>1,108,822</u>	<u>(254)</u>	<u>1,108,568</u>
<i>Net Change in Fund Cash Balances</i>	103,165	(254)	102,911
<i>Fund Cash Balances, January 1</i>	<u>337,182</u>	<u>1,133</u>	<u>338,315</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$440,347</u></u>	<u><u>\$879</u></u>	<u><u>\$441,226</u></u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$7,773	\$13,152	\$20,925
Municipal Income Tax	81,429		81,429
Intergovernmental	73,821	29,076	102,897
Fines, Licenses and Permits	8,395	456	8,851
Earnings on Investments	423	218	641
Miscellaneous	1,652	57	1,709
<i>Total Cash Receipts</i>	<u>173,493</u>	<u>42,959</u>	<u>216,452</u>
Cash Disbursements			
Current:			
Security of Persons and Property	235	6,355	6,590
Transportation		31,638	31,638
General Government	156,965	1,680	158,645
<i>Total Cash Disbursements</i>	<u>157,200</u>	<u>39,673</u>	<u>196,873</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>16,293</u>	<u>3,286</u>	<u>19,579</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	1,050		1,050
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,050</u>	<u>0</u>	<u>1,050</u>
<i>Net Change in Fund Cash Balances</i>	17,343	3,286	20,629
<i>Fund Cash Balances, January 1</i>	<u>50,251</u>	<u>35,107</u>	<u>85,358</u>
Fund Cash Balances, December 31			
Restricted		38,393	38,393
Unassigned (Deficit)	67,594		67,594
<i>Fund Cash Balances, December 31</i>	<u>\$67,594</u>	<u>\$38,393</u>	<u>\$105,987</u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$471,999		\$471,999
<i>Total Operating Cash Receipts</i>	471,999	\$0	471,999
Operating Cash Disbursements			
Personal Services	37,451		37,451
Employee Fringe Benefits	11,873		11,873
Contractual Services	894,459		894,459
Supplies and Materials	106,330		106,330
<i>Total Operating Cash Disbursements</i>	1,050,113	0	1,050,113
<i>Operating Income (Loss)</i>	(578,114)	0	(578,114)
Non-Operating Receipts (Disbursements)			
Intergovernmental	446,266		446,266
Earnings on Investments (proprietary funds only)	4		4
Other Debt Proceeds	470,870		470,870
Miscellaneous Receipts	15,976		15,976
Principal Retirement	(263,217)		(263,217)
Interest and Other Fiscal Charges	(11,762)		(11,762)
Other Financing Sources		12,918	12,918
Other Financing Uses		(11,785)	(11,785)
<i>Total Non-Operating Receipts (Disbursements)</i>	658,137	1,133	659,270
<i>Net Change in Fund Cash Balances</i>	80,023	1,133	81,156
<i>Fund Cash Balances, January 1</i>	257,159		257,159
<i>Fund Cash Balances, December 31</i>	<u>\$337,182</u>	<u>\$1,133</u>	<u>\$338,315</u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Malta, Morgan County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and general governmental services. The Village contracts with the M&M Volunteer Fire Department to receive fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village invests all available funds in an interest-bearing checking account. Interest earned is recognized and recorded when received.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Protection Fund – This fund receives local tax dollars from a special levy for offsetting fire protection costs within the Village.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. 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 Funds:

Water Operating Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund – This fund receives charges for services from residents to cover sewer service costs.

Sewer Project Fund – This fund receives loan proceeds from the Ohio Water Development Authority to finance the replacement of the Village's sewer lines.

4. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court activity.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

VILLAGE OF MALTA
MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. 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:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **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.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the 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.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. 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.

2. Change in Accounting Principle

For fiscal year 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$600,956</u>	<u>\$444,302</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$142,675	\$177,807	\$35,132
Special Revenue	43,278	44,023	745
Enterprise	595,148	1,814,757	1,219,609
Total	\$781,101	\$2,036,587	\$1,255,486

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$210,269	\$126,880	\$83,389
Special Revenue	80,293	41,207	39,086
Enterprise	1,032,330	1,711,592	(679,262)
Total	\$1,322,892	\$1,879,679	(\$556,787)

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,150	\$174,543	\$29,393
Special Revenue	43,523	42,959	(564)
Enterprise	574,006	1,405,115	831,109
Total	\$762,679	\$1,622,617	\$859,938

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$195,401	\$157,200	\$38,201
Special Revenue	77,558	39,673	37,885
Enterprise	831,165	1,325,092	(493,927)
Total	\$1,104,124	\$1,521,965	(\$417,841)

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

6. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Debt

Debt outstanding at December 31, 2012, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan (CR25N)	\$372,711	0.00%
Ohio Water Development Authority Loan (3212)	335,053	2.00%
Ohio Water Development Authority Loan (4116)	81,763	4.48%
Ohio Water Development Authority Loan (5883)	145,808	0.00%
Ohio Water Development Authority Loan (5888)	378,755	2.00%
Ohio Water Development Authority Loan (5915)	602,550	0.00%
Total	<u>\$1,916,640</u>	

The Ohio Public Works Commission (OPWC) loan CR25N relates to the sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OPWC approved \$379,028 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$6,317 over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan 3212 relates to water treatment plant improvements. The OWDA approved \$539,831 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$14,698, including interest, over 23 years.

The Ohio Water Development Authority (OWDA) loan 4116 relates to the construction of an earthen berm around the well field and water treatment plant. The OWDA approved \$91,607 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$2,941, including interest, over 27 years.

The Ohio Water Development Authority (OWDA) loan 5883 relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$167,820 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$16,782 over 5 years.

The Ohio Water Development Authority (OWDA) loan 5888 relates to a water meter installation project. The OWDA approved \$394,996 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$12,030, including interest, over 20 years.

The Ohio Water Development Authority (OWDA) loan 5915 relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$618,000 in a loan to the Village for this project. The Village is repaying the loan in semiannual installments of \$15,450 over 20 years. The scheduled payment amount below assumes that \$618,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

Water and sewer receipts collateralize all the OWDA loans above. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Debt (Continued)

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

Year ending December 31:	OPWC Loan CR25N	OWDA Loan 3212	OWDA Loan 4116	OWDA Loan 5883	OWDA Loan 5888	OWDA Loan 5915
2013	\$12,634	\$14,698	\$2,941	\$45,116	\$12,030	\$15,450
2014	12,634	29,397	5,882	33,564	24,060	30,900
2015	12,635	29,397	5,882	33,564	24,060	30,900
2016	12,635	29,397	5,882	33,564	24,060	30,900
2017	12,635	29,397	5,882		24,060	30,900
2018-2022	63,171	146,984	29,412		120,298	154,500
2023-2027	63,171	102,889	29,412		120,298	154,500
2028-2032	63,171		29,412		108,268	154,500
2033-2037	63,171		14,706			
2038-2042	56,854					
Total	<u>\$372,711</u>	<u>\$382,159</u>	<u>\$129,411</u>	<u>\$145,808</u>	<u>\$457,134</u>	<u>\$602,550</u>

8. Retirement System

The Village's 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

9. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

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

10. Contingent Liabilities

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Malta
Morgan County
P.O. Box 307
Malta, Ohio 43758

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Malta, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. Also, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54.

Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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. We consider findings 2012-002 through 2012-003 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

VILLAGE OF MALTA
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to purchase commitment for 25 percent of the expenditures tested in 2011 and 50 percent of the expenditures tested in 2012, and there was no evidence the Village followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF MALTA
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-001 (Continued)

Noncompliance – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Village certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2012-002

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.42 provides that federal and state grants or loans are “deemed appropriated for the purpose for which such bond was issued by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf program agreement with another local government or the State (or federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if moneys were received and expended by the local government.

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer’s certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

During 2011, grant proceeds in the amount of \$268,042 from the Ohio Public Works Commission (OPWC) for the Sewer Separation Project were disbursed directly from OPWC to the applicable contractor. The Village did not record these grant proceeds and corresponding disbursement to the Village's Sewer Operations Fund. Also during 2011, loan proceeds in the amount of \$333,204 for Ohio Water Development Authority (OWDA) Account #5888 were not posted to the Village's Water Operations Fund and loan proceeds in the amount of \$45,527 for OWDA Account #5915 were not posted to the Village's Sewer Operations Fund. We also found during 2011 that OWDA issued principal forgiveness in the amount of \$97,213 for account #5888 and principal forgiveness in the amount of \$81,010 for account #5883 both of which were not recorded as intergovernmental receipts and principal payments by the Village to the Water Operations Fund and Sewer Project Fund, respectively.

**VILLAGE OF MALTA
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-002 (Continued)

Noncompliance/Material Weakness – Ohio Rev. Code Section 5705.42 (Continued)

During 2012, grant proceeds in the amount of \$131,958 and loan proceeds in the amount of \$379,028 from the Ohio Public Works Commission (OPWC) for the Sewer Separation Project were disbursed directly from OPWC to the applicable contractor. The Village did not record these grant and loan proceeds and corresponding disbursements to the Village's Sewer Operations Fund. Also during 2012, loan proceeds in the amount of \$112,599 for Ohio Water Development Authority (OWDA) Account #5888 were not posted to the Village's Water Operations Fund and loan proceeds in the amount of \$366,053 for OWDA Account #5915 were not posted to the Village's Sewer Project Fund. We also found during 2012 that OWDA issued principal forgiveness in the amount of \$137,094 for account #5883 which was not recorded as intergovernmental receipts and principal payments by the Village to the Sewer Project Fund.

The Village did not obtain an amended certificate for these new amounts of revenue or amend appropriations for the amounts disbursed. Therefore these estimated receipts and supplemental appropriations were not recorded to their budgetary accounting system.

We recommend that all "on-behalf" payments be posted to the Village's ledgers. We further recommend that when "on-behalf" disbursements are made, the Village must obtain an amended certificate from the budget commission and record supplemental appropriations with the budget commission. If the budget commission certifies an amended official certificate and approves supplemental appropriations, then the Village should amend their budgetary accounting system. All significant adjustments have been made to the financial statements.

FINDING NUMBER 2012-003

Noncompliance/Material Weakness

Ohio Admin. Code 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

During 2012, the Fiscal Officer posted certain transactions incorrectly as follows:

- Cents per gallon receipts were posted to the Street Construction, Maintenance and Repair Fund at 7.5% in the amount of \$96 and to the State Highway Fund at 92.5% in the amount of \$1,185, instead of to the Street Construction, Maintenance and Repair Fund at 92.5% and to the State Highway Fund at 7.5%;
- Excess IRP receipt was posted to taxes instead of intergovernmental in the Street Construction, Maintenance and Repair Fund in the amount of \$44 and in the State Highway Fund in the amount of \$4;
- Real estate and manufactured home taxes were posted at net instead of at gross in the General Fund (\$3,709), Street Construction, Maintenance and Repair Fund (\$151) and the Fire Protection Fund (\$300);
- Homestead and rollback receipts were posted 100% to taxes in the General Fund in the amount of \$3,086 instead of to intergovernmental in the General Fund in the amount of \$1,488, Street Construction, Maintenance and Repair Fund in the amount of \$623 and Fire Protection Fund in the amount of \$975;

VILLAGE OF MALTA
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-003 (Continued)

Noncompliance/Material Weakness – Ohio Admin. Code Section 117-2-02(A) (Continued)

- Property tax replacement receipts were posted to taxes in the General Fund instead of to intergovernmental in the Street Construction, Maintenance and Repair Fund in the amount of \$225;
- Property tax replacement receipt was posted to taxes instead of intergovernmental in the Street Construction, Maintenance and Repair Fund in the amount of \$37;
- Motor vehicle license tax was posted to the General Fund in the amount of \$1,096 instead of to the Street Construction, Maintenance and Repair Fund in the amount of \$1,014 and the State Highway Fund in the amount of \$82;
- Motor vehicle license tax was posted to the State Highway Fund in the amount of \$740 instead of to the Street Construction, Maintenance and Repair Fund;
- Estate tax receipt was posted at net instead of at gross in the General Fund (\$101);
- Utility reimbursement was posted to the General Fund in the amount of \$31 instead of the Street Construction, Maintenance and Repair Fund;
- Manufactured homestead was posted 100% to the General Fund in the amount of \$58 instead of to the General Fund in the amount of \$28, Street Construction, Maintenance and Repair Fund in the amount of \$12 and Fire Protection Fund in the amount of \$18; and
- Vehicle registration municipal permissive tax was posted to the General Fund in the amount of \$223 instead of to the Street Construction, Maintenance and Repair Fund.

During 2011, the Fiscal Officer posted certain transactions incorrectly as follows:

- Homestead and rollback receipts were posted 100% to taxes in the General Fund in the amount of \$3,063 instead of to intergovernmental in the General Fund in the amount of \$1,477, Street Construction, Maintenance and Repair Fund in the amount of \$618 and Fire Protection Fund in the amount of \$968;
- Real estate and manufacture home taxes were posted at net instead of gross in the General Fund (\$3,569), Street Construction, Maintenance and Repair Fund (\$168) and Fire Protection Fund (\$259);
- Manufactured home tax was posted 100% at net to the General Fund in the amount of \$59 instead of at gross in the General Fund in the amount of \$28, Street Construction, Maintenance and Repair Fund in the amount of \$12 and Fire Protection Fund in the amount of \$19;
- Property tax replacement receipt was posted to taxes instead of intergovernmental in the General Fund in the amount of \$114, Street Construction, Maintenance and Repair Fund in the amount of \$413 and Fire Protection Fund in the amount of \$114;
- Motor vehicle license tax receipt was posted to taxes instead of intergovernmental in the Street Construction, Maintenance and Repair Fund in the amount of \$280 and State Highway Fund in the amount of \$23;
- Excess IRP receipt was posted 100% to miscellaneous in the Street Construction, Maintenance and Repair Fund in the amount of \$57 instead of to intergovernmental in the Street Construction, Maintenance and Repair Fund in the amount of \$53 and State Highway Fund in the amount of \$4; and
- Estate tax receipt was posted at net instead of at gross in the General Fund (\$2,303).

VILLAGE OF MALTA
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

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

FINDING NUMBER 2012-003 (Continued)

Noncompliance/Material Weakness – Ohio Admin. Code Section 117-2-02(A) (Continued)

The Fiscal Officer made an adjustment against the General Fund, in the amount of \$2,127 and State Highway Improvement Fund, Special Revenue Fund type, in the amount of \$1,911 and in favor of Street Construction, Maintenance and Repair Fund, Special Revenue Fund type, in the amount of \$4,038. We have made the Fiscal Officer aware of other adjustments and reclassifications that were not significant to the financial statements.

We recommend the Fiscal Officer refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures.

Officials' Response: The Village declined to respond to the findings noted above.

**VILLAGE OF MALTA
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	A material weakness was issued for the misposting of receipts and expenditures during 2010 and 2009.	No	Not Corrected; reissued as Finding 2012-003.



Dave Yost • Auditor of State

VILLAGE OF MALTA

MORGAN 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
DECEMBER 17, 2013