



Dave Yost • Auditor of State

VILLAGE OF MALVERN
CARROLL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Malvern
Carroll County
116 West Main Street
Malvern, Ohio 44644

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Malvern, Carroll County, Ohio (the Village) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016, and the respective changes in financial position thereof 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 by fund type, and related notes of the Village of Malvern, Carroll County as of December 31, 2016, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 12, 2018

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$26,352	\$5,626			\$31,978
Municipal Income Tax	226,206	0			226,206
Intergovernmental	28,806	63,111			91,917
Charges for Services	6,515	0			6,515
Fines, Licenses and Permits	8,362	0			8,362
Earnings on Investments	78	0			78
Miscellaneous	19,874	6,390			26,264
<i>Total Cash Receipts</i>	<u>316,193</u>	<u>75,127</u>	<u>0</u>	<u>0</u>	<u>391,320</u>
Cash Disbursements					
Current:					
Security of Persons and Property	18,179	0			18,179
Public Health Services	7,603	0			7,603
Leisure Time Activities	44,377	0			44,377
Transportation	0	88,536			88,536
General Government	175,734	0			175,734
Capital Outlay	0	32,000			32,000
<i>Total Cash Disbursements</i>	<u>245,893</u>	<u>120,536</u>	<u>0</u>	<u>0</u>	<u>366,429</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>70,300</u>	<u>(45,409)</u>	<u>0</u>	<u>0</u>	<u>24,891</u>
Other Financing Receipts (Disbursements)					
Transfers In	0	32,000			32,000
Transfers Out	(32,000)	0			(32,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(32,000)</u>	<u>32,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	38,300	(13,409)	0	0	24,891
<i>Fund Cash Balances, January 1</i>	<u>171,294</u>	<u>31,859</u>	<u>1</u>	<u>10</u>	<u>203,164</u>
Fund Cash Balances, December 31					
Restricted	0	18,450	1	10	18,461
Assigned	64,512	0	0	0	64,512
Unassigned (Deficit)	145,082	0	0	0	145,082
<i>Fund Cash Balances, December 31</i>	<u>\$209,594</u>	<u>\$18,450</u>	<u>\$1</u>	<u>\$10</u>	<u>\$228,055</u>

See accompanying notes to the financial statements

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$406,793		\$406,793
Miscellaneous	327		327
<i>Total Operating Cash Receipts</i>	<u>407,120</u>	<u>0</u>	<u>407,120</u>
Operating Cash Disbursements			
Personal Services	80,933		80,933
Employee Fringe Benefits	12,216		12,216
Contractual Services	59,909		59,909
Supplies and Materials	82,998		82,998
Other	23,455		23,455
<i>Total Operating Cash Disbursements</i>	<u>259,511</u>	<u>0</u>	<u>259,511</u>
<i>Operating Income (Loss)</i>	<u>147,609</u>	<u>0</u>	<u>147,609</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(34,779)		(34,779)
Interest and Other Fiscal Charges	(61,701)		(61,701)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(96,480)</u>	<u>0</u>	<u>(96,480)</u>
<i>Net Change in Fund Cash Balances</i>	51,129	0	51,129
<i>Fund Cash Balances, January 1</i>	<u>409,184</u>	<u>5</u>	<u>409,189</u>
<i>Fund Cash Balances, December 31</i>	<u>\$460,313</u>	<u>\$5</u>	<u>\$460,318</u>

See accompanying notes to the financial statements

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

Note 1 - Reporting Entity

The Village of Malvern (the Village), Carroll County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities and park operations. The Village contracts with the Carroll County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Other Capital Projects Fund - This fund accounted for various capital projects within the Village.

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 Operating Fund - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 had no significant agency fund.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

Deposits 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.

The Village maintains an interest bearing checking account used by all funds. No other investments are held by the Village.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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.

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.

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.

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

Note 3 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$214,438	\$316,193	\$101,755
Special Revenue	75,156	107,127	31,971
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	389,461	407,120	17,659
Total	\$679,055	\$830,440	\$151,385

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,241	\$277,893	(\$37,652)
Special Revenue	130,430	120,536	9,894
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	384,992	374,316	10,676
Total	\$755,663	\$772,745	(\$17,082)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$37,652 for the year ended December 31, 2016.

Note 4 – Deposits and Investments

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

	2016
Demand deposits	\$688,373

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

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

Note 5 – Taxes (continued)

Property Taxes (continued)

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

Income Taxes

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 of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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

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

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

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

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

OPERS 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. OPERS contributed 2 percent of the employer contribution to fund these benefits during 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water System Mortgage Revenue Bond	\$1,164,900	4.5%
Ohio Water Development Authority Loan	360,903	2.0%
Total	<u>\$1,525,803</u>	

The Water System Mortgage Revenue Bond was issued for \$1,501,000 at an interest rate of 4.50 percent for the repayment of an Ohio Water Development Authority loan. The bond was entered into on March 15, 1999 for a period of 40 years. The repayment of this bond will be made with funds from user fees in the Water Operating Fund.

The Ohio Water Development Authority (OWDA) loan relates to a waterline extension project. The OWDA approved up to \$441,660 in loans to the Village for this project. The Village received \$379,786 in loan proceeds through calendar year 2015. In calendar year 2016, the Village received a \$1,833 principal reduction for the waterline extension project. The Village will repay the loans in semiannual installments of \$8,448, including interest, over 30 years. Water receipts collateralize the loan and loan payment made out of the Water Operating Fund.

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

Note 9 – Debt

Amortization

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

Year ending December 31:	Water Mortgage Bond		OWDA Loan	
	Principal	Interest	Principal	Interest
2017	\$29,900	\$52,421	\$4,839	\$3,609
2018	31,300	51,075	9,824	7,072
2019	32,600	49,667	10,021	6,875
2020	34,200	48,200	10,223	6,674
2021	35,700	46,661	10,428	6,468
2022 - 2026	203,900	207,730	55,371	29,111
2027 - 2031	254,200	157,520	61,164	23,318
2032 - 2036	316,800	94,947	67,563	16,919
2037 - 2041	226,300	20,669	74,631	9,850
2042 - 2045			56,840	2,296
Total	<u>\$1,164,900</u>	<u>\$728,890</u>	<u>\$360,903</u>	<u>\$112,191</u>

Note 10 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

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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 Malvern
Carroll County
116 West Main Street
Malvern, Ohio 44644

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 cash balances, receipts, and disbursements by fund type of the Village of Malvern, Carroll County, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated April 12, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 a material weakness and a significant deficiency.

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. We consider finding 2016-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-003 described in the accompanying schedule of findings to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

April 12, 2018

**VILLAGE OF MALVERN
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

1. Ohio Rev. Code §5705.41(B) - Expenditures Exceeding Appropriations

<i>Finding Number</i>	2016-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2016, expenditures plus outstanding encumbrances exceeded appropriations within the General Fund by \$37,652.

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to help avoid overspending. In addition, the Fiscal Officer should periodically review the Village's Appropriations Reports to help ensure appropriation amounts are posted accurately and timely.

Official's Response: The Fiscal Officer will determine the annual appropriations and enter the approved appropriations into the UAN system. The Fiscal Officer will monitor expenditures to ensure they do not exceed the appropriations. Additionally, the Fiscal Officer will provide council with the Appropriations Reports on a monthly basis.

2. Budgetary Information - UAN

<i>Finding Number</i>	2016-002
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MATERIAL WEAKNESS

Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Budgetary information entered into the accounting system does not match amounts per the appropriations received from the County in 2016 nor the estimated resources certified by the County Auditor in 2016. The amounts recorded in the accounting systems compared to the amount certified and authorized are as follows:

	Appropriations Authorized	Appropriation Status Report per UAN	Variance
General Fund	\$240,241	\$322,241	\$(82,000)

	Revenue Status Report per UAN	Certificate of Estimated Resources	Variance
General Fund	\$283,578	\$214,438	\$69,140
Special Revenue	109,919	75,156	34,763
Enterprise	389,011	389,461	(451)

The Village lacked procedures to help ensure the UAN system reflected the actual approved/adopted budgetary information.

The Village should implement the appropriate procedures, such as ensuring minutes include accurate information on budgetary amendments and reconciling budgetary information within the accounting system to formally approved budgets. This may help ensure budgetary information is presented accurately and completely.

Official's Response: The Fiscal Officer will be responsible for updating budgetary information in the UAN system. Any information updated and certified from the County Auditor will be updated and reflected with UAN to ensure accurate financial information and reporting for the Village.

3. Financial Reporting

<i>Finding Number</i>	2016-003
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SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 54 provides clear fund balance classifications that should be consistently applied. The Village's financial statements follow GASB 54; however, they did not use proper classifications for all of their fund balances.

The 2016 General Fund balance was classified entirely as unassigned. However, \$64,512 should have been classified as assigned due to the subsequent year's appropriations exceeding the estimated receipts by this amount. This reclassification has been made to the accompanying financial statements.

The Village should adopt policies and procedures to help ensure fund balances are properly classified in accordance with GASB 54. Additional guidance is also available in Auditor of State Bulletin 2011-004.

Official's Response: The Fiscal Officer will appropriately classify fund balances when the annual financial reports are prepared. If necessary, the Village will consider certain monies classified in accordance GASB 54.

VILLAGE OF MALVERN

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	In 2015 and 2014, the Ohio Water Development Authority (OWDA) expended funds for the water line extension project on behalf of the Village. By doing so, the payments were not recorded in the Village's accounting records, thus understating the enterprise fund's loan proceeds.	Finding no Longer Valid	If future loans are obtained, the Village will account for any expenditures, even when the disbursements are made on the Village's behalf.
2015-002	Village Council passed numerous ordinances as emergency measures.	Planned Corrective Action	Council will be mindful of passing ordinances and/or resolutions as an emergency. This action will only be taken when necessary, and ORC 731.17 will be followed for the passage of legislation.
2015 -003	Total appropriations will not exceed the total estimated resources as certified by the county budget commission.	Planned Corrective Action	The Fiscal Officer will monitor and manage the budget throughout the year to ensure that deficit spending does not occur.
2015-004	Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making. Budgetary information entered into the system does not match amounts per the appropriations received from the County in 2015 nor the estimated resources certified by the County Auditor for 2014 and 2015	Planned Corrective Action	The Fiscal Officer will be responsible for updating the UAN system to match the budgetary information certified by the County Auditor.
2015-005	Village Administrator – Sound internal controls, such as proper monitoring and formal procedures, are pertinent to ensure that all financial transactions incurred are authorized, for a proper public purpose, and accounted for.	Finding no Longer Valid	The position of Village Administrator has been changed from part time to full time. The position is still overseen by the Mayor. The Administrator is required to use the time clock. Additionally, the Village hired a new Village Administrator as of January 2017.

Village of Malvern
 Carroll County
 Summary Schedule of Prior Audit Findings
 Page 2

2015-006	The Village does not have an effective control measure to ensure sick leave abuse does not occur. Although the Village requires verification for sick leave use over three days, the Village does not require sick leave forms for each occurrence.	Corrective Action Taken and Finding is Fully Corrected	The Village requires employees to submit a written request for sick leave. The leave is approved by the department supervisor and administrator prior to being paid.
2017-007	The legislative authority (Council) has appointed a part-time person to server as Tax Administrator. However, the Tax Administrator is not under the control of the Fiscal Officer. Thus there is no oversight. The Fiscal Officer has no knowledge and/or involvement of the Village tax collections procedures and computerized bookkeeping system. However, the Fiscal Officer is required to issue refund checks without any supporting documentation. Also the Fiscal Officer is unable to assist the Tax Administrator.	Not Corrected	The Village his employed a new Fiscal Officer as of March 2017. The Village is working to expand the Fiscal Officer's knowledge of the Tax Department for better oversite of the Tax Administrator.
2015-008	The Village has not performed any type of long term financial planning. The Village should consider asking the Local Government Services of the Auditor of State's office to perform this forecast.	Not Corrected	The Village will collect quotes to perform long term financial planning to see if it is feasible to conduct the forecast. Also, the Fiscal Officer will work to develop additional forecasting and budgetary plans beyond the current year.
2015-009	It is recommended the Village consider obtaining a performance audit. This audit can be used by the Village seeking to improve operations, identify cost savings and produce sustainable, balanced budgets	Not Corrected	The Village will collect quotes to perform long term financial planning to see if it is feasible to conduct the forecast. Also, the Fiscal Officer will work to develop additional forecasting and budgetary plans beyond the current year.

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 Carroll County
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2015-010	During our limited review of the Park Receipts we noted the Mayor was issuing the permits and collecting the monies. We also noted there were 5 receipts totaling \$270 we were unable to locate a deposit for.	Corrective Action Taken and Finding is Fully Corrected	All money is being collected at Village Hall as of August 2017. The Fiscal Officer is responsible for all park deposits.
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Dave Yost • Auditor of State

VILLAGE OF MALVERN

CARROLL 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
MAY 10, 2018