



**Auditor of State
Betty Montgomery**

VILLAGE OF MALVERN
CARROLL COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

Village of Malvern
Carroll County
P.O. Box 384
Malvern, OH 44644

To the Village Council:

We have audited the accompanying financial statements of the Village of Malvern, Carroll County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN service, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 21, 2004

**VILLAGE OF MALVERN
CARROLL COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$29,891	\$36,168			\$66,059
Municipal Income Tax	203,308				203,308
Intergovernmental Receipts	33,907	53,603			87,510
Charges for Services	21,668				21,668
Fines, Licenses, and Permits	30,539			506	31,045
Earnings on Investments	1,076				1,076
Miscellaneous	353	1,653			2,006
	<u>320,742</u>	<u>91,424</u>		<u>506</u>	<u>412,672</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	169,545	16,891		75	186,511
Leisure Time Activities	45,923				45,923
Basic Utility Services		6,250			6,250
Transportation		61,284			61,284
General Government	113,924	473			114,397
Debt Service:					
Principal Payments	27,175	21,762			48,937
Interest Payments	1,705	1,728			3,433
	<u>358,272</u>	<u>108,388</u>		<u>75</u>	<u>466,735</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>(37,530)</u>	<u>(16,964)</u>		<u>431</u>	<u>(54,063)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		7,400			7,400
Transfers-Out	(7,400)				(7,400)
	<u>(7,400)</u>	<u>7,400</u>			
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(44,930)	(9,564)		431	(54,063)
Fund Cash Balances, January 1	71,463	35,256	1		106,720
Fund Cash Balances, December 31	<u>\$26,533</u>	<u>\$25,692</u>	<u>\$1</u>	<u>\$431</u>	<u>\$52,657</u>
Reserves for Encumbrances, December 31	<u>\$5,550</u>	<u>\$1,190</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,740</u>

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

**VILLAGE OF MALVERN
CARROLL COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$259,143		\$259,143
Total Operating Cash Receipts	<u>259,143</u>		<u>259,143</u>
Operating Cash Disbursements:			
Personal Services	76,015		76,015
Fringe Benefits	27,272		27,272
Contractual Services	32,229		32,229
Supplies and Materials	25,843		25,843
Other	5,934		5,934
Total Operating Cash Disbursements	<u>167,293</u>		<u>167,293</u>
Operating Income/(Loss)	<u>91,850</u>		<u>91,850</u>
Non-Operating Cash Receipts:			
Earnings on Investment	1,200		1,200
Other Debt Proceeds	20,000		20,000
Miscellaneous Receipts	543	5	548
Redemption of Principal	16,100		16,100
Total Non-Operating Cash Receipts	<u>37,843</u>	<u>5</u>	<u>37,848</u>
Non-Operating Cash Disbursements:			
Debt Service	110,761		110,761
Total Non-Operating Cash Disbursements	<u>110,761</u>		<u>110,761</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	18,932	5	18,937
Fund Cash Balances, January 1	<u>199,561</u>	<u>8,000</u>	<u>207,561</u>
Fund Cash Balances, December 31	<u>\$218,493</u>	<u>\$8,005</u>	<u>\$226,498</u>
Reserve for Encumbrances, December 31	<u>\$2,559</u>	<u>\$0</u>	<u>\$2,559</u>

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

**VILLAGE OF MALVERN
CARROLL COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$27,793	\$36,311		\$64,104
Municipal Income Tax	194,852			194,852
Intergovernmental Receipts	46,340	39,698		86,038
Charges for Services	34,547			34,547
Fines, Licenses, and Permits	48,348			48,348
Earnings on Investments	3,094			3,094
Miscellaneous	15,476			15,476
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	370,450	76,009		446,459
Cash Disbursements:				
Current:				
Security of Persons and Property	267,326	13,469		280,795
Leisure Time Activities	27,164			27,164
Transportation		75,152		75,152
General Government	89,309	334		89,643
Debt Service:				
Principal Payments	6,061	21,467		27,528
Interest Payments	675	3,020		3,695
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	390,535	113,442		503,977
Total Receipts (Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(20,085)	(37,433)		(57,518)
Other Financing Receipts and (Disbursements):				
Transfers-In		35,000		35,000
Advances-In	60,000			60,000
Transfers-Out	(35,000)			(35,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	25,000	35,000		60,000
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	4,915	(2,433)		2,482
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	66,548	37,689	1	104,238
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$71,463	\$35,256	\$1	\$106,720
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$12,204	\$2,933	\$0	\$15,137

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

**VILLAGE OF MALVERN
CARROLL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$243,692		\$243,692
Miscellaneous		8,000	8,000
Total Operating Cash Receipts	<u>243,692</u>	<u>8,000</u>	<u>251,692</u>
Operating Cash Disbursements:			
Personal Services	52,143		52,143
Fringe Benefits	23,047		23,047
Contractual Services	32,368		32,368
Supplies and Materials	27,721		27,721
Other	11,306		11,306
Total Operating Cash Disbursements	<u>146,585</u>		<u>146,585</u>
Operating Income	<u>97,107</u>	<u>8,000</u>	<u>105,107</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>82,379</u>		<u>82,379</u>
Total Non-Operating Cash Disbursements	<u>82,379</u>		<u>82,379</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	14,728	8,000	22,728
Advances-Out	<u>(60,000)</u>		<u>(60,000)</u>
Net Receipts Over/(Under) Disbursements	(45,272)	8,000	(37,272)
Fund Cash Balances, January 1	<u>244,833</u>		<u>244,833</u>
Fund Cash Balances, December 31	<u>\$199,561</u>	<u>\$8,000</u>	<u>\$207,561</u>
Reserve for Encumbrances, December 31	<u>\$6,325</u>	<u>\$0</u>	<u>\$6,325</u>

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

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Malvern, Carroll County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. 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.

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village's investments are limited to overnight sweep accounts.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Other Special Revenue Fund -This fund receives tax money for the payment of a fire truck.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Other Agency Fund – This fund received money from an Insurance Company. The company insured a house in that Village that sustained substantial damage. The money is to be used for the demolition of the house.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$100,352	\$102,433
Total deposits	100,352	102,433
Repurchase agreement	178,803	211,707
Total investments	178,803	211,707
Total deposits and investments	\$279,155	\$314,140

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follow:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$340,000	\$320,742	(\$19,258)
Special Revenue	84,595	98,824	14,229
Enterprise	230,000	296,986	66,986
Fiduciary	500	511	11
Total	\$655,095	\$717,063	\$61,968

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$362,700	\$371,222	(\$8,522)
Special Revenue	116,275	109,578	6,697
Enterprise	286,200	280,613	5,587
Fiduciary	8,500	75	8,425
Total	<u>\$773,675</u>	<u>\$761,488</u>	<u>\$12,187</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$391,218	\$370,450	(\$20,768)
Special Revenue	79,339	111,009	31,670
Enterprise	126,610	243,692	117,082
Fiduciary	0	8,000	8,000
Total	<u>\$597,167</u>	<u>\$733,151</u>	<u>\$135,984</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$399,766	\$437,880	(\$38,114)
Special Revenue	124,909	116,375	8,534
Enterprise	249,856	235,289	14,567
Fiduciary	0	0	0
Total	<u>\$774,531</u>	<u>\$789,544</u>	<u>(\$15,013)</u>

Contrary to Ohio law, the Village did not properly encumber all commitments.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX (Continued)

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water System Mortgage Revenue Bond	\$1,454,600	4.50%
Fire Truck Acquisition Bond	14,946	7.00%
Mower Note	4,486	3.95%
Police Cruiser Note	6,224	3.95%
Income Tax Software Note	8,018	3.85%
Total	<u>\$1,488,274</u>	

The Water System Mortgage Revenue Bond was issued for \$1,501,000 at an interest rate of 4.50% 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 Fire Truck Acquisition Bond was issued for \$150,000 at an interest rate of 4.69% for a new Village fire truck. The bond was entered into on July 6, 1994 for a period of 10 years. The bond will be repaid in annual installments of \$15,000, plus interest, over the 10 year term.

The Mower Note was issued for \$20,000 at an interest rate of 3.95% for a new Village mower. The note was entered into on September 28, 2001 for a period of 3 years. The note will be repaid in monthly installments of \$590.50, includes interest, over the 3 year period.

The Police Cruiser Note was issued for \$20,000 at an interest rate of 3.95% for a new cruiser for the police department. The note was entered into on December 10, 2001 for a period of 3 years. The note will be repaid in monthly installments of \$590.52, includes interest, over the 3 year period.

The Income Tax Software Note was issued for \$8,500 at an interest rate of 3.850% for new income tax software for the Village. The note was entered into on September 4, 2003 for a period of 4 years. The note will be repaid in monthly installments of \$191.87, includes interest, over the 4 year period.

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT (Continued)

The Water and Fire Truck Bonds are backed by the full faith of the Village.

The Mower, Police Cruiser, and Income Tax Software Notes are backed by a note secured by business security agreements.

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

Year ending December 31:	Water System Mortgage Revenue Bond	Fire Truck	Mower	Police Cruiser	Income Tax Software
2004	\$82,357	\$15,703	\$5,315	\$7,087	\$2,302
2005	82,297				2,302
2006	82,405				2,302
2007	82,272				1,727
2008	82,408				
2009	82,299				
2010	82,354				
2011 - 2015	411,702				
2016 - 2020	411,669				
2021 - 2025	411,713				
2026 - 2030	411,662				
2031 - 2035	411,685				
2036 - 2039	329,362				
Total	<u>\$2,964,185</u>	<u>\$15,703</u>	<u>\$5,315</u>	<u>\$7,087</u>	<u>\$8,633</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Malvern
Carroll County
P.O. Box 384
Malvern, OH 44644

To the Village Council:

We have audited the accompanying financial statements of the Village of Malvern (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 21, 2004. The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 21, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 21, 2004.

Village of Malvern
Carroll County
Independent Accountant's Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 21, 2004

**VILLAGE OF MALVERN
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no prior certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. Amounts of less than three thousand dollars may be paid by the fiscal officer without resolution upon the completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

During 2002 testing we found eight instances in which the purchase order was not certified until after the commitment was entered into (ie. after the invoice date). We also noted one instance in which the fiscal officer's certificate and supporting documentation for the expenditure was not available. During 2003 testing we found twenty-one instances in which the purchase order was not certified until after the commitment was entered into (ie. after the invoice date).

We recommend that the Village implement policies and procedures to ensure that all expenditures are in compliance with Ohio Revised Code Section 5705.41(D).

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-31210-001	Revised Code 5705.41(D), failure to certify funds	Not Corrected	See Finding #2003-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
NOVEMBER 4, 2004**