

**Village of Malvern**  
Carroll County, Ohio  
*Audited Financial Statements*

*For the Years Ended  
December 31, 2011 and 2010*





# Dave Yost • Auditor of State

Village Council  
Village of Malvern  
116 West Main Street  
Malvern, Ohio 44644

We have reviewed the *Independent Auditor's Report* of the Village of Malvern, Carroll County, prepared by Rea & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Malvern is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 3, 2012

**This page intentionally left blank.**

**Village of Malvern  
Carroll County  
For the Years Ended December 31, 2011 and December 31, 2010**

**Table of Contents**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Fiduciary Fund Types for the Year Ended December 31, 2011.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary and Fiduciary Fund Types for the Year Ended December 31, 2010.....	6
Notes to the Financial Statements.....	7-16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards .....	17-18
Schedule of Findings .....	19

**This page intentionally left blank.**

February 28, 2012

To the Honorable Mayor and Village Council  
Village of Malvern  
Carroll County  
116 West Main St.  
Malvern, OH 44644

### INDEPENDENT AUDITOR'S REPORT

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, 2011 and 2010, as listed in the table of contents. 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 audits.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Malvern, Carroll County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Malvern adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

*Hea & Associates, Inc.*



VILLAGE OF MALVERN  
CARROLL COUNTY

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

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 203,427	\$ 19,219	\$ 0	\$ 0	\$ 222,645
Intergovernmental Revenue	71,613	71,114	0	0	142,727
Charges For Services	9,338	0	0	0	9,338
Fines, Licenses and Permits	9,977	0	0	0	9,977
Interest	40	0	0	0	40
Miscellaneous	5,521	3,339	0	0	8,860
<b>Total Cash Receipts</b>	<b>299,917</b>	<b>93,671</b>	<b>0</b>	<b>0</b>	<b>393,588</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	30,036	21,593	0	0	51,629
Public Health Services	7,375	0	0	0	7,375
Leisure Time Activities	39,543	0	0	0	39,543
Transportation	0	88,388	0	0	88,388
General Government	131,933	2,601	0	0	134,535
<b>Debt Service:</b>					
Principal	0	3,833	0	0	3,833
Interest	0	638	0	0	638
<b>Total Cash Disbursements</b>	<b>208,888</b>	<b>117,052</b>	<b>0</b>	<b>0</b>	<b>325,940</b>
<b>Total Cash Receipts Over (Under) Cash Disbursement:</b>	<b>91,029</b>	<b>(23,381)</b>	<b>0</b>	<b>0</b>	<b>67,648</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	0	4,538	0	0	4,538
Transfers - In	0	10,000	0	0	10,000
Transfers - Out	(10,000)	0	0	0	(10,000)
Insurance Claim Reimbursements	10,100	0	0	0	10,100
<b>Total Other Financing Receipts (Disbursements)</b>	<b>100</b>	<b>14,538</b>	<b>0</b>	<b>0</b>	<b>14,638</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>91,129</b>	<b>(8,843)</b>	<b>0</b>	<b>0</b>	<b>82,286</b>
<b>FUND CASH BALANCES, January 1, 2011</b>	<b>89,574</b>	<b>47,144</b>	<b>1</b>	<b>10</b>	<b>136,729</b>
Restricted	0	38,301	1	10	38,312
Assigned	5,216	0	0	0	5,216
Unassigned	175,487	0	0	0	175,487
<b>FUND CASH BALANCES, December 31, 2011</b>	<b>\$ 180,703</b>	<b>\$ 38,301</b>	<b>\$ 1</b>	<b>\$ 10</b>	<b>\$ 219,015</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MALVERN  
CARROLL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Proprietary	Fiduciary
	Enterprise Funds	Agency Fund
<b>OPERATING CASH RECEIPTS:</b>		
Charges for services	\$ 309,131	\$ 0
Miscellaneous	1,065	0
	<u>310,196</u>	<u>0</u>
<b>Total Operating Cash Receipts</b>		
<b>OPERATING CASH DISBURSEMENTS:</b>		
Personal services	64,819	0
Employee Fringe Benefits	21,924	0
Contractual services	36,467	0
Material and supplies	139,819	0
Other	156	0
	<u>263,184</u>	<u>0</u>
<b>Total Operating Cash Disbursements</b>		
Operating Income	47,012	0
<b>NON-OPERATING CASH RECEIPTS:</b>		
Intergovernmental receipts	37,111	0
Miscellaneous Receipts	191	0
	<u>37,302</u>	<u>0</u>
<b>Total Non-Operating Cash Receipts</b>		
<b>NON-OPERATING CASH DISBURSEMENTS:</b>		
Debt service:		
Principal retirement	26,833	0
Interest and fiscal charges	60,002	0
	<u>86,834</u>	<u>0</u>
<b>Total Non-operating Cash Disbursements</b>		
Net Cash Receipts Under Cash Disbursements	(2,521)	0
<b>FUND CASH BALANCES, January 1, 2011</b>	<u>226,574</u>	<u>5</u>
<b>FUND CASH BALANCES, December 31, 2011</b>	<u>\$ 224,054</u>	<u>\$ 5</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MALVERN  
CARROLL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 178,941	\$ 18,342	\$ 0	\$ 0	\$ 197,283
Intergovernmental Revenue	46,839	77,704	0	0	124,543
Charges For Services	9,143	0	0	0	9,143
Fines, Licenses and Permits	10,563	0	0	0	10,563
Interest	43	0	0	0	43
Miscellaneous	19,433	5,136	0	0	24,568
<b>Total Cash Receipts</b>	<b>264,962</b>	<b>101,182</b>	<b>0</b>	<b>0</b>	<b>366,144</b>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Security of Persons	27,217	16,536	0	0	43,753
Public Health Services	7,418	0	0	0	7,418
Leisure Time Activities	33,585	0	0	0	33,585
Transportation	0	80,626	0	0	80,626
General Government	121,197	7,655	0	0	128,853
Capital Outlay	14,845	0	0	0	14,845
Debt Service:					
Principal	10,000	3,666	0	0	13,666
Interest	200	804	0	0	1,004
<b>Total Cash Disbursements</b>	<b>214,461</b>	<b>109,288</b>	<b>0</b>	<b>0</b>	<b>323,749</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>50,501</b>	<b>(8,106)</b>	<b>0</b>	<b>0</b>	<b>42,395</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	0	2,525	0	0	2,525
Transfers - In	0	21,500	0	0	21,500
Transfers - Out	(21,500)	0	0	0	(21,500)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(21,500)</b>	<b>24,025</b>	<b>0</b>	<b>0</b>	<b>2,525</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>29,001</b>	<b>15,919</b>	<b>0</b>	<b>0</b>	<b>44,920</b>
<b>FUND CASH BALANCES, January 1, 2010</b>	<b>60,574</b>	<b>31,225</b>	<b>1</b>	<b>10</b>	<b>91,810</b>
<b>FUND CASH BALANCES, December 31, 2010</b>	<b>\$ 89,574</b>	<b>\$ 47,144</b>	<b>\$ 1</b>	<b>\$ 10</b>	<b>\$ 136,729</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 4,439</b>	<b>\$ 2,136</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,575</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MALVERN  
CARROLL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary</u>	<u>Fiduciary</u>
	Enterprise Fund	Agency Fund
OPERATING CASH RECEIPTS:		
Charges for services	\$ 284,320	\$ 0
Miscellaneous	1,372	0
	<u>285,692</u>	<u>0</u>
Total Operating Cash Receipts		
OPERATING CASH DISBURSEMENTS:		
Personal services	65,021	0
Employee Fringe Benefits	21,096	0
Contractual services	39,578	0
Material and supplies	74,775	0
Other	156	0
	<u>200,626</u>	<u>0</u>
Total Operating Cash Disbursements		
Operating Income (Loss)	85,066	0
NON-OPERATING CASH RECEIPTS:		
Redemption of Principal From General Fund	10,000	0
Miscellaneous Receipts	67	0
Interest	200	0
	<u>10,267</u>	<u>0</u>
Total Non-Operating Cash Receipts		
NON-OPERATING CASH DISBURSEMENTS:		
Debt service:		
Principal retirement	25,666	0
Interest and fiscal charges	61,158	0
	<u>86,824</u>	<u>0</u>
Total Non-Operating Disbursements		
Net Cash Receipts Over Cash Disbursements	8,509	0
FUND CASH BALANCES, January 1, 2010	<u>218,065</u>	<u>5</u>
FUND CASH BALANCES, December 31, 2010	<u>\$ 226,574</u>	<u>\$ 5</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 4,732</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

---

**NOTE 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 Malvern, Carroll County, (the "Village") as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water utility 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.

**B. Basis of Accounting**

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 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.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

***Fire Truck Payment Fund*** – This fund paid the debt for the Village's fire truck.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

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

**5. 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*** – This fund receives charges for services from residents to cover water service costs.

**6. Agency 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 had no significant Agency Fund activity.

**E. 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, personal services and other level of control, and appropriations may not exceed estimated resources. Village 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.

**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.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, 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

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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.

**I. Change in Accounting Principals**

For fiscal year 2011, the Village has implemented Governmental Accounting Standards (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund type definitions."

**NOTE 2 – EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments pool for 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:

	<u>2010</u>	<u>2011</u>
Demand deposits	\$ 363,308	\$ 443,074

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

*This space is intentionally blank.*



**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2011 and 2010 follows:

**2011 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$242,185	\$310,017	\$67,832
Special Revenue	88,120	108,209	20,089
Capital Projects	0	0	0
Enterprise	281,200	347,498	66,298
Total	<u>\$611,505</u>	<u>\$765,724</u>	<u>\$154,219</u>

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$233,061	\$224,104	\$8,957
Special Revenue	145,169	118,059	27,110
Capital Projects	0	0	0
Enterprise	367,149	351,570	15,579
Total	<u>\$745,379</u>	<u>\$693,733</u>	<u>\$51,646</u>

**2010 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$250,145	\$264,962	\$14,817
Special Revenue	83,900	125,207	41,307
Capital Projects	0	0	0
Enterprise	263,060	295,959	32,899
Total	<u>\$597,105</u>	<u>\$686,128</u>	<u>\$89,023</u>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$249,544	\$240,430	\$9,114
Special Revenue	117,588	111,424	6,164
Capital Projects	0	0	0
Enterprise	294,046	292,182	1,864
Total	<u>\$661,178</u>	<u>\$644,036</u>	<u>\$17,142</u>

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

---

**NOTE 4 – 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.

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

**NOTE 5 – LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all income earned 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 are required to 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.

*This space is intentionally blank.*

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

**NOTE 6: DEBT**

The Village's debt activity, including amount outstanding, interest rate, and the purpose for which the debt was issued is as follows:

	Outstanding 1/1/2010	Additions	Reductions	Outstanding 12/31/2010
2.00% Water Fund to General Fund Note	\$ 10,000	\$ -	\$ 10,000	\$ -
4.50% Water System Mortgage Revenue Bond	1,341,200	-	22,000	1,319,200
4.40% Consumer's Bank - Dump Truck Note	39,402	-	7,332	32,070
	<u>\$ 1,390,602</u>	<u>\$ -</u>	<u>\$ 39,332</u>	<u>\$ 1,351,270</u>

  

	Outstanding 1/1/2011	Additions	Reductions	Outstanding 12/31/2011
4.50% Water System Mortgage Revenue Bond	\$ 1,319,200	\$ -	\$ 23,000	\$ 1,296,200
4.40% Consumer's Bank - Dump Truck Note	32,070	-	7,666	24,404
	<u>\$ 1,351,270</u>	<u>\$ -</u>	<u>\$ 30,666</u>	<u>\$ 1,320,604</u>

The Water Fund issued a note to the General Fund in 2006 for \$30,000 at an interest rate of 2.0 percent to be repaid with General Fund revenues. The loan was entered into in November 2006 to be paid annually with excess General Fund monies. This debt is not reflected in the amortization schedule as no set payments have been established. During 2010 the final payment of \$10,000 was remitted from the general fund to the water fund.

The Water System 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.

The Dump Truck Note was issued for \$40,000 at an interest rate of 4.40 percent. The note was entered into on November 18, 2009 to be paid monthly for a period of 5 years. The principal and interest payments will be paid 50% from the Street Maintenance and Repair fund and 50% from the Water fund.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

**NOTE 6 – DEBT (Continued)**

Amortization of the above debt is as follows:

Year	Water System Revenue Bond	Dump Truck Note	Total
2012	\$ 24,000	\$ 8,011	\$ 32,011
2013	25,100	8,379	33,479
2014	26,200	8,014	34,214
2015	27,400	0	27,400
2016	28,600	0	28,600
2017-2021	163,700	0	163,700
2022-2026	203,900	0	203,900
2027-2031	254,200	0	254,200
2032-2036	316,800	0	316,800
2037-2039	226,300	0	226,300
	\$ 1,296,200	\$ 24,404	\$ 1,320,604

**NOTE 7 – RETIREMENT SYSTEMS**

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**NOTE 8 – RISK MANAGEMENT**

**Commercial Insurance**

The Village is exposed to various risks of property and casualty losses, and injuries to employees, and they insure against injuries to employees through the Ohio Bureau of Workers Compensation. The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. Casualty and Property Coverage APEEP provide PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts.

At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

**NOTE 8 – RISK MANAGEMENT (Continued)**

government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years. Financial Position PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$ 20,631,198</u>	<u>\$ 21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future years is approximately \$27,000. Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

	<u>2010</u>	<u>2009</u>
Contributions to P.E.P	\$ 13,763	\$ 7,466

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**NOTE 9 – MALVERN COMMUNITY DEVELOPMENT FUND – COMPONENT UNIT**

The Malvern Community Development Fund (the "Fund") is a legally separate foundation, served by a Board of Trustees, which includes six members of the Malvern Village Council, the Mayor of Malvern and the Manager of the Lake Mohawk Property Owner's Association. The Malvern Fiscal Officer shall serve as a non-voting, ex officio member of the board and fills the roles of secretary and treasurer.

The Fund was formed for the following purposes: 1) to raise funds for the support of projects, equipment, services and facilities that benefit the Village of Malvern, Ohio and its residents, 2) to engage in activities that are exclusively for charitable purposes, and 3) to support research, education, and public information programs to promote economic growth and community services.

Based on the significant oversight, services and resources provided by the Village to the Fund and the Fund's sole purpose of providing benefit to the Village of Malvern, the Fund is considered a component unit of the Village of Malvern. The Malvern Community Development Fund has a December 31<sup>st</sup> year end.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2010 and 2011**

---

**NOTE 9 – MALVERN COMMUNITY DEVELOPMENT FUND – COMPONENT UNIT (Continued)**

No financial information relating to the Fund is included in the Village of Malvern financial statements because it was not material to the Village.

**NOTE 10 – SUBSEQUENT EVENT**

Effective January 1, 2012, the Village along with Brown Township entered into a Joint Resolution creating the Great Trail Joint Fire District. The Joint Resolution requires that funding for the Joint Fire District be created through the transfer of funds from the Village and Brown Township to the Fire District.

**NOTE 11 – LEGAL COMPLIANCE**

Ohio Revised Code 731.14 requires all contracts through the competitive bidding process shall be in writing. Ohio Revised Code 4115.05 requires the Village to obtain prevailing wages in their area for the types of labor required to complete the project, prior to bidding and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wage is determined. The Village did not obtain a written contract for the Bridge Street Waterline Project, nor was the prevailing wages documented or provided in the bid proposal.

February 28, 2012

To the Honorable Mayor and Village Council  
Village of Malvern  
Carroll County  
116 West Main St.  
Malvern, OH 44644

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Village of Malvern, Carroll County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated February 28, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Village of Malvern  
Carroll County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

**Compliance and Other Matters**

As part of obtaining reasonable assurance 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2011-001.

We noted certain matters that we reported to management of the Village in a separate letter dated February 28, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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

*Hea & Associates, Inc.*



**Village of Malvern**  
**Carroll County, Ohio**  
*Schedule of Findings*  
*December 31, 2011*

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number 2011-001**

**Material Noncompliance**

**Criteria:**

**Ohio Revised Code section 731.14** states in part: "All contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk. Except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under sections 125.60 to 125.6012 of the Revised Code, when any expenditure, other than the compensation of persons employed in the village, exceeds fifty thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the village." **Ohio Revised Code section 4115.05** states in part: "The prevailing wage laws essentially require an entity to obtain the prevailing wages in their area for the types of labor required to complete the project, prior to bidding and again when the contract is awarded, if the award is made more than 90 days after the original prevailing wage is determined. They then need to make sure that the contractors who are awarded the contracts agree, in the contract, to pay the prevailing wage."

**Condition/Context:**

During testing, it was noted that the Village did not obtain a signed contract for the Bridge Street Waterline Project, nor was there any prevailing wage documentation contained in the bid documents prior to approval.

**Effect:**

Violation of ORC sections 731.14 and 4115.05 for not obtaining a signed contract nor providing the prevailing wage language during the bidding process.

**Recommendation:**

We recommend that the Village obtain a written signed contract for all competitive bidding contracts and attached to the bid proposal proper prevailing wage rates to be paid based on the locality of the contract.

**Official's Response/Corrective Action Plan:**

The Village did obtain the necessary assurance, which was provided to the auditors, that prevailing wages were paid on the contract. Going forward, the Village will implement procedures to ensure a signed contract is obtained prior to project being performed.

**This page intentionally left blank.**



# 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 15, 2012