



Dave Yost • Auditor of State



VILLAGE OF MALINTA  
HENRY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Malinta  
Henry County  
103 ½ North Turkeyfoot Avenue  
P.O. Box 69  
Malinta, Ohio 43535-0069

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Malinta, Henry County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, 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 permitted 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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Malinta, Henry County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2015, 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

July 17, 2015

**VILLAGE OF MALINTA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$5,974	\$1,733		\$7,707
Municipal Income Tax		50,849		50,849
Intergovernmental	7,995	11,887		19,882
Charges for Services	3,188			3,188
Fines, Licenses and Permits	415			415
Earnings on Investments	594			594
Miscellaneous	45	84		129
<i>Total Cash Receipts</i>	<u>18,211</u>	<u>64,553</u>		<u>82,764</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	8,808			8,808
Leisure Time Activities	4,180			4,180
Community Environment	800			800
Basic Utility Services	2,329			2,329
Transportation	5,573	12,687		18,260
General Government	54,014	4,988	\$15,165	74,167
Capital Outlay	1,094			1,094
<i>Total Cash Disbursements</i>	<u>76,798</u>	<u>17,675</u>	<u>15,165</u>	<u>109,638</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(58,587)</u>	<u>46,878</u>	<u>(15,165)</u>	<u>(26,874)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	35,000		15,000	50,000
Transfers Out		(50,000)		(50,000)
Other Financing Sources	463			463
Other Financing Uses	(1,344)			(1,344)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>34,119</u>	<u>(50,000)</u>	<u>15,000</u>	<u>(881)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(24,468)</u>	<u>(3,122)</u>	<u>(165)</u>	<u>(27,755)</u>
<i>Fund Cash Balances, January 1</i>	<u>81,779</u>	<u>13,374</u>	<u>186,797</u>	<u>281,950</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		3,848		3,848
Committed		6,404	186,632	193,036
Assigned	33,458			33,458
Unassigned	23,853			23,853
<i>Fund Cash Balances, December 31</i>	<u>\$57,311</u>	<u>\$10,252</u>	<u>\$186,632</u>	<u>\$254,195</u>

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

**VILLAGE OF MALINTA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$314,237
<b>Operating Cash Disbursements</b>	
Personal Services	25,214
Transportation	2,738
Contractual Services	88,530
Supplies and Materials	3,329
Capital Outlay	1,000
<i>Total Operating Cash Disbursements</i>	120,811
<i>Operating Income</i>	193,426
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(3,233)
Principal Retirement	(106,523)
Interest and Other Fiscal Charges	(67,511)
Other Non-Operating Receipts	41,268
<i>Total Non-Operating Receipts (Disbursements)</i>	(135,999)
<i>Net Change in Fund Cash Balances</i>	57,427
<i>Fund Cash Balances, January 1</i>	325,462
<i>Fund Cash Balances, December 31</i>	\$382,889

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



**VILLAGE OF MALINTA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$6,406	\$1,924		\$8,330
Municipal Income Tax		58,848		58,848
Intergovernmental	21,614	11,885		33,499
Charges for Services	3,497			3,497
Fines, Licenses and Permits	1,635			1,635
Earnings on Investments	678	1		679
Miscellaneous		147	\$500	647
<i>Total Cash Receipts</i>	<u>33,830</u>	<u>72,805</u>	<u>500</u>	<u>107,135</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	10,261			10,261
Leisure Time Activities	3,536			3,536
Community Environment	525			525
Basic Utility Services	2,057			2,057
Transportation	182	15,287		15,469
General Government	64,934	1,661		66,595
Capital Outlay	1,925		18,041	19,966
<i>Total Cash Disbursements</i>	<u>83,420</u>	<u>16,948</u>	<u>18,041</u>	<u>118,409</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,590)</u>	<u>55,857</u>	<u>(17,541)</u>	<u>(11,274)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	42,000	1,000	18,000	61,000
Transfers Out	(1,000)	(60,000)		(61,000)
Other Financing Sources	751		53	804
Other Financing Uses	(250)			(250)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>41,501</u>	<u>(59,000)</u>	<u>18,053</u>	<u>554</u>
<i>Net Change in Fund Cash Balances</i>	<u>(8,089)</u>	<u>(3,143)</u>	<u>512</u>	<u>(10,720)</u>
<i>Fund Cash Balances, January 1</i>	<u>89,868</u>	<u>16,517</u>	<u>186,285</u>	<u>292,670</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		2,831		2,831
Committed		10,543	186,797	197,340
Assigned	36,755			36,755
Unassigned	45,024			45,024
<i>Fund Cash Balances, December 31</i>	<u>\$81,779</u>	<u>\$13,374</u>	<u>\$186,797</u>	<u>\$281,950</u>

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

**VILLAGE OF MALINTA  
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$303,184
Fines, Licenses and Permits	90
	303,274
<i>Total Operating Cash Receipts</i>	<i>303,274</i>
<b>Operating Cash Disbursements</b>	
Personal Services	25,886
Fringe Benefits	3,035
Contractual Services	114,029
Supplies and Materials	3,944
Other	525
	147,419
<i>Total Operating Cash Disbursements</i>	<i>147,419</i>
<i>Operating Income</i>	<i>155,855</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(8,266)
Principal Retirement	(99,338)
Interest and Other Fiscal Charges	(74,082)
Other Non-Operating Receipts	41,019
	(140,667)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(140,667)</i>
<i>Net Change in Fund Cash Balances</i>	<i>15,188</i>
<i>Fund Cash Balances, January 1</i>	<i>310,274</i>
<i>Fund Cash Balances, December 31</i>	<i>\$325,462</i>

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

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 Malinta, Henry County, Ohio (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

**B. Accounting Basis**

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.

**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 values certificates of deposit at cost.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

Local Income Tax Fund - This fund receives local income tax revenue for general operations and capital projects.

**3. 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 revenue is used for capital improvements pertaining to the Village's water utility.

**4. Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**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 approve estimated resources.

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

**3. 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 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

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

**5. Unassigned**

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

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies – (Continued)**

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

**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.

**2. Equity in Pooled Deposits**

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

	2014	2013
Demand Deposits	\$504,550	\$475,208
Certificates of Deposit	132,534	132,204
Total Deposits	\$637,084	\$607,412

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,013	\$53,674	(\$7,339)
Special Revenue	71,750	64,553	(7,197)
Capital Projects	143,410	15,000	(128,410)
Enterprise	338,614	355,505	16,891
Total	\$614,787	\$488,732	(\$126,055)

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity – (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,888	\$79,013	\$27,875
Special Revenue	76,107	68,021	8,086
Capital Projects	224,366	15,165	209,201
Enterprise	475,524	302,465	173,059
Total	\$882,885	\$464,664	\$418,221

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,992	\$76,581	\$12,589
Special Revenue	75,750	73,805	(1,945)
Capital Projects	19,000	18,553	(447)
Enterprise	380,970	344,293	(36,677)
Total	\$539,712	\$513,233	(\$26,479)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,848	\$85,088	\$19,760
Special Revenue	91,815	77,025	14,790
Capital Projects	97,075	36,381	60,694
Enterprise	519,330	329,327	190,003
Total	\$813,068	\$527,821	\$285,247

**4. Property Tax**

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

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

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

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1711	\$151,779	7.700%
United States Development of Agriculture Loan	1,207,900	4.125%
Total	<u>\$1,359,679</u>	

The Ohio Water Development Authority (OWDA) Loan #1711 relates to a water main line and tank expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,216,408 in loans to the Village for this project. The Village is responsible for this loan. However, the Village entered into a contract with the City of Napoleon and is receiving \$39,861 annually from the City toward the retirement of this debt. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The United States Development of Agricultural loan in the amount of \$1,235,000 was accepted on July 5, 2011. The loan paid off the Ohio Water Development Authority (OWDA) Loan #5311. The loan relates to the wastewater system design project the Ohio Environmental Protection Agency mandated.

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



**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Debt – (Continued)**

Year ending December 31:	<u>OWDA Loan</u>	<u>USDA Loan</u>
2015	\$110,552	\$64,226
2016	55,461	64,232
2017		64,213
2018		64,170
2019		64,201
2020-2024		321,140
2025-2029		321,114
2030-2034		321,096
2035-2039		321,095
2040-2044		321,009
2045-2049		321,132
2050-2053		128,432
Total	<u><u>\$166,013</u></u>	<u><u>\$2,376,060</u></u>

**7. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

**8. Risk Management**

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

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

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. Risk Management – (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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, 2013 and 2014:

	<b>2013</b>	<b>2014</b>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

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

**9. Interfund Transfers**

During the year ended December 31, 2014 and 2013, the following transfers in and out occurred:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>2014</b>		
General Fund	\$35,000	
Special Revenue Fund:		
Income Tax Fund		\$50,000
Other Capital Projects Fund	15,000	
Totals	\$50,000	\$50,000

**VILLAGE OF MALINTA  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**9. Interfund Transfers- (Continued)**

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>2013</b>		
General Fund	\$42,000	\$1,000
Special Revenue Funds:		
Street Construction and Maintenance	1,000	
Income Tax Fund		60,000
Other Capital Projects Fund	18,000	
Totals	\$61,000	\$61,000

Transfers were made to move unrestricted balances from the General and Income Tax Funds to support programs and projects accounted for in other funds.

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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 Malinta  
Henry County  
103 ½ North Turkeyfoot Avenue  
P.O. Box 69  
Malinta, Ohio 43535-0069

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, the financial statements of the Village of Malinta, Henry County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 17, 2015 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 material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

The Village's response to the findings 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.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 17, 2015

**VILLAGE OF MALINTA  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness**

**Fund Balance Classification**

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

There was no review of the financial statements to ensure the applicable requirements of GASB statement 54 were met. As a result, a portion of fund balance should have been assigned for budgetary purposes.

The 2013 annual appropriation measure for the General fund was adopted in December 2012 in the amount of \$99,847. 2013 estimated receipts were \$63,092. A portion of the General fund balance, \$36,755 was needed to cover the difference.

The 2014 annual appropriation measure for the General fund was adopted in December 2013 in the amount of \$94,470. 2014 estimated receipts were \$61,012. A portion of the General fund balance, \$33,458 was needed to cover the difference.

These amounts should have been classified as assigned for subsequent year's appropriations instead of being classified as unassigned.

Adjustments were recorded to the 2013 and 2014 financial statements to classify the amounts as assigned.

These errors occurred as a result of a lack of understanding of the proper classification of fund balances in accordance with GASB 54.

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

## **FINDING NUMBER 2014-002**

### **Material Weakness**

#### **Monitoring Financial Statements**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

In 2013, the United States Department of Agriculture (USDA) interest payments of \$50,944 were misposted to Principal Retirement line item instead of Interest and Other Fiscal Charges in the Sewer Fund.

In 2013, there were legal fees totaling \$10,390 which were misclassified as Capital Outlay instead of General Government.

In 2014, USDA principal payments of \$13,800 were misposted as Interest and Other Fiscal Charges instead of Principal Retirement and USDA interest payments of \$50,395 were misposted as Principal Retirement instead of Interest and Other Fiscal Charges in the Sewer fund.

The financial statements have been adjusted to reflect corrections for these and other errors.

These errors occurred as a result of a lack of understanding of the types of monies received and proper classification per the uniform system of accounting for villages.

To ensure the Village's financial statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements to identify and correct errors and omissions.

#### **Officials' Response:**

The Clerk will continue to monitor and implement changes to the financial statements.



VILLAGE OF MALINTA  
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Material weakness due to errors in financial reporting.	No	Not corrected and reissued as Finding 2014-002 in this report.

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**VILLAGE OF MALINTA**

**HENRY 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  
AUGUST 4, 2015**