

**VILLAGE OF MALTA
MORGAN COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Malta
449 Main Street
Malta, Ohio 43758

We have reviewed the *Independent Accountants' Report* of the Village of Malta, Morgan County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. 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 Accountants' 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 Accountants' 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 Malta is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 21, 2007

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VILLAGE OF MALTA
MORGAN COUNTY

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

April 20, 2007

Village of Malta
Morgan County
449 Main Street
Malta, Ohio 43758

To the Village Council:

We have audited the accompanying financial statements of the **Village of Malta, Morgan County, Ohio**, (the Village) as of and for the years ended December 31, 2006 and 2005. 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 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 audit 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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, 2006 and 2005 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, 2006 and 2005 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Malta, Morgan County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007, 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 audit.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 92,381	\$ 13,094	\$ -	\$ 105,475
Intergovernmental	58,640	32,839	-	91,479
Fines, Licenses, and Permits	14,143	763	-	14,906
Earnings on Investments	754	1,274	-	2,028
Miscellaneous	2,741	42	-	2,783
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	168,659	48,012	-	216,671
Cash Disbursements:				
Current:				
Security of Persons and Property	235	7,484	-	7,719
Public Health Service	3,564	-	-	3,564
Leisure Time Activities	5,125	-	-	5,125
Transportation	-	49,672	-	49,672
General Government	170,897	14,457	-	185,354
Debt Service:				
Redemption of Principal	92	467	-	559
Interest and Fiscal Charges	98	151	-	249
Capital Outlay	5,625	6,551	2,917	15,093
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	185,636	78,782	2,917	267,335
Total Cash Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(16,977)	(30,770)	(2,917)	(50,664)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Note Proceeds	5,625	-	2,917	8,542
Sale of Fixed Assets	8,089	-	-	8,089
Transfers-In	-	9,000	-	9,000
Transfers-Out	(7,000)	-	-	(7,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	6,714	9,000	2,917	18,631
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,263)	(21,770)	-	(32,033)
Fund Cash Balances, January 1	38,090	65,538	-	103,628
Fund Cash Balances, December 31	<hr/> \$ 27,827 <hr/>	<hr/> \$ 43,768 <hr/>	<hr/> \$ - <hr/>	<hr/> \$ 71,595 <hr/>
Reserve for Encumbrances, December 31	<hr/> \$ 400 <hr/>	<hr/> \$ 200 <hr/>	<hr/> \$ - <hr/>	<hr/> \$ 600 <hr/>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 334,818	\$ -	\$ 334,818
Total Operating Cash Receipts	<u>334,818</u>	<u>-</u>	<u>334,818</u>
Operating Cash Disbursements:			
Personal Services	75,911	-	75,911
Contractual Services	61,048	-	61,048
Material and Supplies	54,257	-	54,257
Capital Outlay	8,315	-	8,315
Total Operating Cash Disbursements	<u>199,531</u>	<u>-</u>	<u>199,531</u>
Operating Income (Loss)	<u>135,287</u>	<u>-</u>	<u>135,287</u>
Non-Operating Receipts/(Disbursements)			
Earnings on Investments	1,885	-	1,885
Note Proceeds	8,315	-	8,315
Miscellaneous	5,281	-	5,281
Other Non-Operating Receipts	-	20,278	20,278
Debt Service:			
Redemption of Principal	(32,490)	-	(32,490)
Interest and other Financing Charges	(17,974)	-	(17,974)
Other Non-Operating Disbursements	-	(20,278)	(20,278)
Transfers-Out	(2,000)	-	(2,000)
Other Uses	(47,467)	-	(47,467)
Total Other Financing Receipts/(Disbursements)	<u>(84,450)</u>	<u>-</u>	<u>(84,450)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	50,837	-	50,837
Fund Cash Balances, January 1	<u>76,124</u>	<u>-</u>	<u>76,124</u>
Fund Cash Balances, December 31	<u>\$ 126,961</u>	<u>\$ -</u>	<u>\$ 126,961</u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 97,022	\$ 12,772	\$ -	\$ 109,794
Intergovernmental	58,805	97,389	15,374	171,568
Fines, Licenses, and Permits	8,687	574	-	9,261
Earnings on Investments	624	718	-	1,342
Miscellaneous	7,056	1,371	-	8,427
	<u>172,194</u>	<u>112,824</u>	<u>15,374</u>	<u>300,392</u>
Total Cash Receipts				
	<u>172,194</u>	<u>112,824</u>	<u>15,374</u>	<u>300,392</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	235	10,257	-	10,492
Public Health Service	3,668	-	-	3,668
Leisure Time Activities	4,525	-	-	4,525
Transportation	-	29,265	-	29,265
General Government	173,263	43,011	-	216,274
Capital Outlay	-	10,873	81,702	92,575
	<u>-</u>	<u>10,873</u>	<u>81,702</u>	<u>92,575</u>
Total Cash Disbursements	<u>181,691</u>	<u>93,406</u>	<u>81,702</u>	<u>356,799</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(9,497)</u>	<u>19,418</u>	<u>(66,328)</u>	<u>(56,407)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Note Proceeds	-	-	73,844	73,844
Transfers-In	4,761	1,224	-	5,985
Transfers-Out	-	(6,848)	(361)	(7,209)
	<u>-</u>	<u>(6,848)</u>	<u>(361)</u>	<u>(7,209)</u>
Total Other Financing Receipts/(Disbursements)	<u>4,761</u>	<u>(5,624)</u>	<u>73,483</u>	<u>72,620</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,736)</u>	<u>13,794</u>	<u>7,155</u>	<u>16,213</u>
Fund Cash Balances, January 1	<u>42,826</u>	<u>51,744</u>	<u>(7,155)</u>	<u>87,415</u>
Fund Cash Balances, December 31	<u>\$ 38,090</u>	<u>\$ 65,538</u>	<u>\$ -</u>	<u>\$ 103,628</u>
Reserve for Encumbrances, December 31	<u>\$ 4,318</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 4,471</u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Intergovernmental	\$ 20,538	\$ -	\$ 20,538
Charges for Services	341,245	-	341,245
Miscellaneous	760	-	760
	<u>362,543</u>	<u>-</u>	<u>362,543</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	99,954	-	99,954
Contractual Services	76,096	-	76,096
Material and Supplies	78,323	-	78,323
	<u>254,373</u>	<u>-</u>	<u>254,373</u>
Total Operating Cash Disbursements			
Operating Income (Loss)	<u>108,170</u>	<u>-</u>	<u>108,170</u>
Non-Operating Receipts/(Disbursements)			
Miscellaneous	20,143	-	20,143
Other Non-Operating Receipts	-	10,353	10,353
Debt Service:			
Redemption of Principal	(32,273)	-	(32,273)
Interest and other Financing Charges	(18,687)	-	(18,687)
Other Non-Operating Disbursements	-	(11,655)	(11,655)
Transfers-In	1,224	-	1,224
Other Uses	(26,855)	-	(26,855)
	<u>(56,448)</u>	<u>(1,302)</u>	<u>(57,750)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	51,722	(1,302)	50,420
Fund Cash Balances, January 1	<u>24,402</u>	<u>1,302</u>	<u>25,704</u>
Fund Cash Balances, December 31	<u>\$ 76,124</u>	<u>\$ -</u>	<u>\$ 76,124</u>
Reserve for Encumbrances, December 31	<u>\$ 9,695</u>	<u>\$ -</u>	<u>\$ 9,695</u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Malta, Morgan County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

The Village has financial relationships with the Malta Union Cemetery and a special arrangement with the Village of McConnelsville for joint ownership and operation of a swimming pool. Additional information concerning these relationships is presented in Note 9. 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. 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 the Auditor of State prescribes.

C. Cash

All cash is maintained in a pooled checking account.

D. Fund Accounting

The Village uses fund accounting to segregate cash 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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has 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.

State Highway Improvement Fund This fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining, and repairing state highways within the Village.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
Continued**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

These funds account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund during the period of this report.

Federal Emergency Management Assistance (FEMA) Fund This fund receives grant dollars to help offset the cost of repairs to Village infrastructure resulting from natural disasters.

4. Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Village had the following significant enterprise funds.

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

Sewer Fund This fund receives dollars generated from charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund.

Mayor's Court Fund This fund receives and accounts for the activity of the Mayor's Court.

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, function, and object 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.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2006 and 2005 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

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

	2006	2005
Demand Deposits	<u>\$198,569</u>	<u>\$179,762</u>

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

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
Continued**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,066	\$182,373	\$21,307
Special Revenue	101,976	57,012	(44,964)
Capital Projects	7,257	2,917	(4,340)
Enterprise	293,815	350,299	56,484
Total	<u>\$564,114</u>	<u>\$592,601</u>	<u>\$28,487</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$194,634	\$193,036	\$1,598
Special Revenue	102,635	78,982	23,653
Capital Projects	7,257	2,917	4,340
Enterprise	338,215	299,462	38,753
Total	<u>\$642,741</u>	<u>\$574,397</u>	<u>\$68,344</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,708	\$176,955	\$24,247
Special Revenue	102,555	114,048	11,493
Capital Projects	70,338	89,218	18,880
Enterprise	421,264	383,910	(37,354)
Total	<u>\$746,865</u>	<u>\$764,131</u>	<u>\$17,266</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,381	\$186,009	\$5,372
Special Revenue	59,866	100,407	(40,541)
Capital Projects	63,181	82,063	(18,882)
Enterprise	306,468	341,883	(35,415)
Total	<u>\$620,896</u>	<u>\$710,362</u>	<u>(\$89,466)</u>

Contrary to Ohio Rev. Code Section 5705.39, the Reserve Fund had appropriations exceeding total estimated revenue during 2006.

Contrary to Ohio Rev. Code Section 5705.41 (B), the FEMA #1556 Fund, Reserve Fund and Water Fund had expenditures exceeding appropriations during 2005.

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 10% of expenditures tested during 2006 and 3% of expenditures testing during 2005.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
Continued**

4. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
4128 OWDA – High St. Waterline Replace. Design	\$ 28,515	5.56%
4116 OWDA – Flood Protect. Of WTP & Wellfield	93,089	4.48%
1712 OWDA – Sewer Loan	40,519	7.96%
3212 OWDA – WTP Improve./Elev. Storage Tank	462,774	2.00%
Loan 1 – Purchase of Truck	5,258	7.00%
Loan 2 – 1997 Chevy Truck	2,544	7.00%
Loan 3 – 2003 Chevy Truck	3,802	7.00%
Total	\$ 636,804	

The Ohio Water Development Authority (OWDA) High Street Waterline Replacement Design entered into in 2004 (loan number 4128) relates to the design and planning of the replacement of the waterline within the village. The loan will be repaid starting in 2013.

The OWDA Flood Protection of WTP & Wellfield entered into in 2004 (loan number 4116) relates to the construction of an earthen berm around the wellfield and water treatment plant. The loan will be repaid in semiannual installments of \$3,158 over 30 years.

The OWDA sewer loan (loan number 1712) relates to modifications to existing combined sewer overflows and modifications to the existing sewage pumping station entered into in 1990. The loan will be repaid in semiannual installments of \$5,839 over 20 years.

The OWDA water loan (loan number 3212) was used for improvements to the Village water treatment plant. The OWDA approved a loan application in 1999 to the Village of Malta for \$768,400 at 2% interest for twenty-five years with semiannual payments of \$14,698.

The Village of Malta purchased a 1996 Chevrolet ¾-ton, 4-wheel drive pickup truck in March 2003. The Village borrowed \$9,115 from North Valley Bank for the purchase. This loan was paid off in 2006.

The Village of Malta purchased a truck (loan number 1) in August 2006. The Village borrowed \$5,625 from North Valley Bank for the purchase. The loan has an interest rate of 7.00% for 24 months. The loan will be repaid in quarterly installments of \$761.

The Village of Malta purchased a 1997 truck Chevy C-1500 Fleetside Truck (loan number 2) in April 2006. The Village borrowed \$3,560 from North Valley Bank for the purchase. The loan has an interest rate of 7.00% for 24 months. The loan will be repaid in quarterly installments of \$481.

The Village of Malta purchased a 2003 Chevrolet S-10 Truck (loan number 3) in April 2006. The Village borrowed \$4,755 from North Valley Bank for the purchase. The loan has an interest rate of 7.00% for 24 months. The loan will be repaid in quarterly installments of \$643.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
Continued**

4. DEBT (Continued)

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

Ohio Water Development Authority Loans				
Year ending December 31:	4128	4116	1712	3212
2007	\$ -	\$ 12,632	\$ 5,839	\$ 14,698
2008	\$ -	\$ 12,632	\$ 12,222	\$ 14,698
2009	\$ -	\$ 12,632	\$ 12,222	\$ 14,698
2010	\$ -	\$ 12,632	\$ 12,222	\$ 14,698
2011	\$ -	\$ 12,632	\$ 6,111	\$ 14,698
Thereafter	\$ 43,808	\$ 243,160		\$ 426,242
Total	\$ 43,808	\$ 306,320	\$ 48,616	\$ 499,732

North Valley Bank Loans			
Year ending December 31:	1	2	3
2007	\$ 3,046	\$ 1,925	\$ 2,571
2008	\$ 2,761	\$ 1,199	\$ 1,602
Total	\$ 5,807	\$ 3,124	\$ 4,173

The prior audit report only reflected three outstanding debt issues when the Village had five outstanding debt issues as of December 31, 2004. Of the three that were reflected two loans through Ohio Water Development Authority were misstated as to outstanding balance as of December 31, 2004. Payments were made in December 2004 for payments due in January 2005. These were not taken into account when the remaining balances and future payments were calculated.

5. 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. INCOME TAX

The Village of Malta has levied a tax of one percent applied to gross salaries, wages, and other personal service compensation earned by residents both in and out of Malta and to earnings of non-residents (except certain transients) earned in the municipality. It also applies to net income to business organizations conducted with Malta. Tax receipts are credited to the general fund of the Village. Municipal tax receipts for the two years ended December 31, 2006 and 2005 were \$83,342 and \$88,249.

**VILLAGE OF MALTA
MORGAN COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
Continued**

7. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2006 and 2005, members of PERS contributed 9.0% and 8.5%, respectively, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

The Village of Malta is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool: general liability and casualty, public official's liability, and vehicle.

The Village also provides health and life insurance to full-time employees through a private carrier.

9. JOINT VENTURES

The Village of McConnelsville and Village of Malta have established a Recreation Committee under the provisions of Ohio Revised Code Section 755.16 to construct, operate, and maintain a swimming pool to provide organized recreational programs for the citizens of both Villages. The Committee consists of three Council Members from each Village appointed by the respective Village Councils and the Mayor of the Villages in alternating two-year terms. Receipts and disbursements are budgeted and accounted for by the Villages in alternative two-year terms. Each Village shares equally in any operation disbursements in excess of collection of user fees. The Committee can be dissolved only by mutual consent of both Village Councils. If the Committee would be dissolved, original start up assets revert to the contributing village or if acquired jointly, would be split equally. The activity for 2006 was accounted for and reported by the Village of McConnelsville as part of their enterprise funds. The activity for 2005 is reported here as part of the enterprise funds discussed above and is summarized below:

Operating Receipts	\$ 34,681
Operating Expenditures	(47,871)
Non-operating Receipts (subsidies)	<u>7,000</u>
Net Decrease in Fund Balance	<u><u>(\$ 6,190)</u></u>

Perry & Associates
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

April 20, 2007

Village of Malta
Morgan County
449 Main Street
Malta, Ohio 43758

To the Village Council:

We have audited the financial statements of the Village of Malta, Morgan County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 20, 2007, 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 audit 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

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-007 and 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 20, 2007.

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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-006.

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 these specified parties.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MALTA
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts on the Village's accounting ledgers. For example, the Clerk classified debt proceeds as grant revenue (intergovernmental) rather than note proceeds and debt payments were all misclassified as Contractual Services and Supplies and Materials. The Village also entered into three new promissory notes in 2006, the Clerk did not post the receipt of note proceeds nor did the Clerk post the Capital Outlay to recognize the purchase of three vehicles. Emergency Relief Grant paid two loan payments to the OWDA that were not booked by the Clerk. Mayor's Court an Agency Fund was not reported on the annual financial statements, gross receipts were booked to the General Fund. The Clerk also reported Capital Project Fund OWDA #4128 as a Special Revenue Fund on the statements. Numerous audit reclassifications were proposed to the Village's Financial Statements.

We recommend the Annual Financial Report be compiled from the Village's accounting ledgers and be reconciled.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 507.04 requires the Village Clerk to keep a complete and accurate record of the proceedings of the Village Council at all its meetings, and of all its accounts and transactions.

The Minute record of the Village was silent concerning several debt issues. Debt was taken out three times in 2006 for purchases of vehicles.

This resulted in a lack of supporting documentation for Council actions and a loss of internal control over the operations of the Village by the Council.

We recommend the Village Clerk take necessary care in the preparation of the minutes and the Village Council carefully review the minutes to help insure they are complete and accurate.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF MALTA
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The appropriations exceeded that total estimated revenue for 2006. Unfavorable variances were noted for the Reserve Fund (\$7,513).

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Rev. Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

The Village Clerk posted appropriation increases to the Village's records. These increases were not approved by the Council and were not filed with the County Auditor.

We recommend that the Clerk review the budgetary procedures for amending appropriations, request the Council approval timely for amending appropriations, record such approval in the minute record, and file all supplemental appropriations, wherein total fund appropriations are increased, with the County Auditor.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2005 in the FEMA #1556 Fund, Reserve Fund and Water Fund.

We recommend the Village Clerk modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Clerk should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF MALTA
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-006

Noncompliance Citation

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

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

1. "Then and Now" certificate - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (the Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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

The Village did not properly certify the availability of funds prior to purchase commitment for 10% in 2006 and 3% in 2005 of the expenditures was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

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

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF MALTA
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-007

Significant Deficiency

Voucher Supporting Documentation

During our test of disbursements, 13% of vouchers tested in 2006 did not have supporting documentation, such as an invoice. Our tests and scan of vouchers indicated that invoices were not consistently a part of the voucher package. Not requiring supporting documentation to accompany voucher packages could result in unauthorized purchases and/or duplicate payments.

We recommend that all voucher packages contain supporting documentation. Voucher packages not containing supporting documentation should not be approved as ready for payment by the Council.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-008

Significant Deficiency

Posting Receipts and Expenditures

During 2005 and 2006, several receipts and expenditures were not posted into accurate revenue and expenditure classifications based on the source of the receipt or expenditure. For example, note proceed revenues were not posted into the correct receipt classification. In addition, the expenditures for the debt payments were posted to the Contractual Services and Supplies and Materials rather than principal/interest payments. This resulted in several reclassification entries being made to the financial statements.

We recommend the Clerk refer to the Village Officers' Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF MALTA
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 5705.41(B) – Expenditures exceeding appropriations.	No	Not Corrected, Repeated as finding 2006-005
2004-002	ORC Section 5705.10 – Negative Fund Balances.	Yes	N/A
2004-003	ORC Section 5705.39 – Appropriations exceed Estimated Resources.	No	Not Corrected, Repeated as finding 2006-003
2004-004	Control over Cash Receipts from Bulk Water Sales	Yes	N/A



Mary Taylor, CPA
Auditor of State

VILLAGE OF MALTA

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 5, 2007