



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF MALVERN  
CARROLL COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Malvern, Carroll County Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Malvern, Carroll County as of December 31, 2018 and 2017, 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

September 13, 2019

**Village of Malvern, Ohio**  
*Carroll County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$28,967	\$5,438			\$34,405
Municipal Income Tax	184,049				184,049
Intergovernmental	30,110	69,603			99,713
Charges for Services	6,511				6,511
Fines, Licenses and Permits	9,721				9,721
Earnings on Investments	156				156
Miscellaneous	3,547	1,428			4,975
<i>Total Cash Receipts</i>	<u>263,061</u>	<u>76,469</u>	<u>\$0</u>	<u>\$0</u>	<u>339,530</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	15,919				15,919
Public Health Services	7,332				7,332
Leisure Time Activities	39,863				39,863
Transportation		97,872			97,872
General Government	178,852				178,852
Capital Outlay		3,289			3,289
<i>Total Cash Disbursements</i>	<u>241,966</u>	<u>101,161</u>	<u>0</u>	<u>0</u>	<u>343,127</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,095</u>	<u>(24,692)</u>	<u>0</u>	<u>0</u>	<u>(3,597)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	84	45,000			45,084
Transfers Out	(45,000)	(68)	(1)	(10)	(45,079)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(44,916)</u>	<u>44,932</u>	<u>(1)</u>	<u>(10)</u>	<u>5</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,821)</u>	<u>20,240</u>	<u>(1)</u>	<u>(10)</u>	<u>(3,592)</u>
<i>Fund Cash Balances, January 1</i>	<u>152,264</u>	<u>19,075</u>	<u>1</u>	<u>10</u>	<u>171,350</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	39,315	0	0	39,315
Assigned	125,059	0	0	0	125,059
Unassigned (Deficit)	3,384	0	0	0	3,384
<i>Fund Cash Balances, December 31</i>	<u>\$128,443</u>	<u>\$39,315</u>	<u>\$0</u>	<u>\$0</u>	<u>\$167,758</u>

See accompanying notes to the financial statements

**Village of Malvern, Ohio**  
*Carroll County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Proprietary and Fiduciary Fund Types**  
*For the Year Ended December 31, 2018*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$465,581		\$465,581
Miscellaneous	456		456
<i>Total Operating Cash Receipts</i>	<u>466,037</u>	<u>\$0</u>	<u>466,037</u>
<b>Operating Cash Disbursements</b>			
Personal Services	122,804		122,804
Employee Fringe Benefits	23,442		23,442
Contractual Services	55,676		55,676
Supplies and Materials	84,825		84,825
Other	78		78
<i>Total Operating Cash Disbursements</i>	<u>286,825</u>	<u>0</u>	<u>286,825</u>
<i>Operating Income (Loss)</i>	<u>179,212</u>	<u>0</u>	<u>179,212</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	1,167		1,167
Capital Outlay	(14,000)		(14,000)
Principal Retirement	(41,124)		(41,124)
Interest and Other Fiscal Charges	(58,147)		(58,147)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(112,104)</u>	<u>0</u>	<u>(112,104)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	67,108	0	67,108
Transfers Out	0	(5)	(5)
<i>Net Change in Fund Cash Balances</i>	67,108	(5)	67,103
<i>Fund Cash Balances, January 1</i>	<u>546,338</u>	<u>5</u>	<u>546,343</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$613,446</u></u>	<u><u>\$0</u></u>	<u><u>\$613,446</u></u>

*See accompanying notes to the financial statements*



**Village of Malvern, Ohio**  
Carroll County  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The Village of Malvern (the Village), Carroll County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides street services, water utilities and park operations. The Village contracts with the Carroll County Sheriff's department to provide security of persons and property. The Village contracts with Great Trail Joint Fire District to receive fire protection services.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

***State Highway*** The state highway fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

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

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

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

***Capital Assets***

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

***Accumulated Leave***

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

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Fund Balance**

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

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$260,645	\$263,145	\$2,500
Special Revenue	111,615	121,469	9,854
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	410,000	467,204	57,204
Total	\$782,260	\$851,818	\$69,558

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 3 - Budgetary Activity (continued)**

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$365,219	\$288,922	\$76,297
Special Revenue	117,470	101,229	16,241
Debt Service	0	1	(1)
Capital Projects	0	10	(10)
Enterprise	493,200	406,550	86,650
Total	\$975,889	\$796,712	\$179,177

**Note 4 – Deposits and Investments**

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

Demand deposits	2018
	\$781,204

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 Malvern, Ohio**  
Carroll County  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 5 – Taxes (continued)**

***Income Taxes***

The Village levies a municipal income tax of one (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.

**Note 6 - Risk Management**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

The information above was the latest available as of December 31, 2018.

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Water System Mortgage Revenue Bond	\$1,103,700	4.5%
Ohio Water Development Authority Loan	346,241	2.0%
Total	\$1,449,941	

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

The Ohio Water Development Authority (OWDA) loan relates to a waterline extension project. The Village will repay the loans in semiannual installments of \$8,448, including interest, over 30 years. Water receipts collateralize the loan and loan payment made out of the Water Operating Fund.

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 9 – Debt (continued)**

***Amortization***

Amortization of the above debt, for principal and interest, is scheduled as follows:

Year Ending December 31:	OWDA Loan		Water Mortgage Bond	
	Principal	Interest	Principal	Interest
2019	\$10,021	\$6,875	\$32,600	\$49,667
2020	10,223	6,674	34,200	48,200
2021	10,428	6,468	35,700	46,661
2022	10,638	6,258	37,200	45,054
2023	10,852	6,045	39,000	43,380
2024 - 2028	57,619	26,862	222,700	188,960
2029 - 2033	63,647	20,834	277,600	134,127
2034 - 2038	70,306	14,175	345,900	65,795
2039 - 2043	77,662	6,820	78,800	6,939
2044 - 2045	24,846	498		
Total	<u>\$346,241</u>	<u>\$101,510</u>	<u>\$1,103,700</u>	<u>\$628,781</u>

**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

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**Village of Malvern, Ohio**  
*Carroll County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$29,967	\$5,697			\$35,664
Municipal Income Tax	180,278				180,278
Intergovernmental	29,002	64,163			93,165
Charges for Services	4,781				4,781
Fines, Licenses and Permits	8,681				8,681
Earnings on Investments	70				70
Miscellaneous	594				594
<i>Total Cash Receipts</i>	<u>253,373</u>	<u>69,860</u>	<u>\$0</u>	<u>\$0</u>	<u>323,233</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	18,077				18,077
Public Health Services	7,339				7,339
Leisure Time Activities	50,510				50,510
Transportation		89,235			89,235
General Government	214,777				214,777
<i>Total Cash Disbursements</i>	<u>290,703</u>	<u>89,235</u>	<u>0</u>	<u>0</u>	<u>379,938</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,330)</u>	<u>(19,375)</u>	<u>0</u>	<u>0</u>	<u>(56,705)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		20,000			20,000
Transfers Out	(20,000)				(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,000)</u>	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(57,330)</u>	<u>625</u>	<u>0</u>	<u>0</u>	<u>(56,705)</u>
<i>Fund Cash Balances, January 1</i>	<u>209,594</u>	<u>18,450</u>	<u>1</u>	<u>10</u>	<u>228,055</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	19,075	1	10	19,086
Assigned	104,574	0	0	0	104,574
Unassigned (Deficit)	47,690	0	0	0	47,690
<i>Fund Cash Balances, December 31</i>	<u>\$152,264</u>	<u>\$19,075</u>	<u>\$1</u>	<u>\$10</u>	<u>\$171,350</u>

See accompanying notes to the financial statements

**Village of Malvern, Ohio**  
*Carroll County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Proprietary and Fiduciary Fund Types**  
*For the Year Ended December 31, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$449,523		\$449,523
<i>Total Operating Cash Receipts</i>	449,523	\$0	449,523
<b>Operating Cash Disbursements</b>			
Personal Services	97,145		97,145
Employee Fringe Benefits	12,971		12,971
Contractual Services	71,548		71,548
Supplies and Materials	80,895		80,895
Other	11,225		11,225
<i>Total Operating Cash Disbursements</i>	273,784	0	273,784
<i>Operating Income (Loss)</i>	175,739	0	175,739
<b>Non-Operating Receipts (Disbursements)</b>			
Miscellaneous Receipts	1,055		1,055
Principal Retirement	(34,739)		(34,739)
Interest and Other Fiscal Charges	(56,030)		(56,030)
<i>Total Non-Operating Receipts (Disbursements)</i>	(89,714)	0	(89,714)
<i>Net Change in Fund Cash Balances</i>	86,025	0	86,025
<i>Fund Cash Balances, January 1</i>	460,313	5	460,318
<i>Fund Cash Balances, December 31</i>	\$546,338	\$5	\$546,343

*See accompanying notes to the financial statements*

**Village of Malvern, Ohio**  
Carroll County  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Malvern (the Village), Carroll County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides street services, water utilities, and park operations. The Village contracts with the Carroll County Sheriff's department to provide security of persons and property. The Village contracts with the Great Trail Joint Fire District to receive fire protection services.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

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

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

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's had no significant agency fund.

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

***Capital Assets***

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

***Accumulated Leave***

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

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Fund Balance**

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

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

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

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

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

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

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

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$278,030	\$253,373	(\$24,657)
Special Revenue	67,600	89,860	22,260
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	420,000	450,578	30,578
Total	\$765,630	\$793,811	\$28,181

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 - Budgetary Activity (continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$351,042	\$310,703	\$40,339
Special Revenue	80,000	89,235	(9,235)
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	499,163	364,553	134,610
Total	\$930,205	\$764,491	\$165,714

**Note 4 – Deposits and Investments**

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

Demand deposits	2017
	\$717,693

***Deposits***

The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool.

**Note 5 – Taxes**

***Property Taxes***

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

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

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

**Village of Malvern, Ohio**  
Carroll County  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Taxes (continued)**

***Income Taxes***

The Village levies a municipal income tax of one (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.

**Note 6 - Risk Management**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 - Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water System Mortgage Revenue Bond	\$1,135,000	4.5%
Ohio Water Development Authority Loan	\$356,065	2.0%
Total	<u>\$1,491,065</u>	

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

The Ohio Water Development Authority (OWDA) loan relates to a waterline extension project. The Village will repay the loans in semiannual installments of \$8,448, including interest, over 30 years. Water receipts collateralize the loan and loan payment made out of the Water Operating Fund.



**Village of Malvern, Ohio**  
*Carroll County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt (continued)**

***Amortization***

Amortization of the above debt, for principal and interest, is scheduled as follows:

Year ending December 31:	Water Mortgage Bond		OWDA Loan	
	Principal	Interest	Principal	Interest
2018	\$31,300	\$51,075	\$9,824	\$7,072
2019	32,600	49,667	10,021	6,875
2020	34,200	48,200	10,223	6,674
2021	35,700	46,661	10,428	6,468
2022	37,200	45,054	10,638	6,258
2023 - 2027	213,200	198,554	56,484	27,998
2028 - 2032	265,600	146,079	62,393	22,088
2033 - 2037	331,000	80,690	68,921	15,561
2038 - 2042	154,200	10,485	76,131	8,350
2042 - 2045			41,003	1,238
Total	<u>\$1,135,000</u>	<u>\$676,463</u>	<u>\$356,065</u>	<u>\$108,582</u>

**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Malvern, Carroll County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 13, 2019 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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Findings***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

September 13, 2019

**VILLAGE OF MALVERN  
CARROLL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**1. Financial Reporting**

**FINDING NUMBER 2018-001**

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

1. Governmental Accounting Standards Board (GASB) Statement No. 54 provides clear fund balance classifications that should be consistently applied. The Village's financial statements follow GASB 54; however, they did not use proper classifications since the 2017 General Fund ending fund balance was classified entirely as unassigned. However, \$104,574 should have been classified as assigned due to the subsequent year's appropriations exceeding the estimated receipts by this amount. This reclassification has been made to the accompanying financial statements.

2. For Note 3 - Budgetary Activity presented in the 2017 annual report filed in the HINKLE System, the budgeted receipts, appropriation authority, and budgetary expenditures columns did not agree to the Amended Certificate of Estimated Resources, Appropriation Resolutions, and Budgetary Expenditures, respectively, as of fiscal year end. The amounts originally presented in the financial report filed in the HINKLE System compared to the actual amounts per the supporting documentation are presented below by fund type:

<b>Fund Type</b>	<b>Original Budgeted Receipts</b>	<b>Actual Budgeted Receipts</b>	<b>Difference</b>
General	\$487,624	\$278,030	(\$209,594)
Special Revenue	\$110,757	\$67,600	(\$43,157)
Enterprise	\$763,988	\$420,000	(\$343,988)
<b>Fund Type</b>	<b>Original Appropriation Authority</b>	<b>Actual Appropriation Authority</b>	<b>Difference</b>
Special Revenue	\$100,000	\$80,000	(\$20,000)
Enterprise	\$950,205	\$499,163	(\$451,042)
<b>Fund Type</b>	<b>Original Budgetary Expenditures</b>	<b>Actual Budgetary Expenditures</b>	<b>Difference</b>
Special Revenue	\$92,129	\$89,235	(\$2,894)
Enterprise	\$767,397	\$364,553	(\$402,844)

The Village should adopt policies and procedures to help ensure fund balances are properly classified in accordance with GASB 54. Additional guidance is also available in Auditor of State Bulletin 2011-004. In addition, the Fiscal Officer should review the notes to the financial statements for completeness and accuracy prior to submission in the HINKLE system.

**Official's Response:** We did not receive a response from Officials to this finding.

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# VILLAGE OF MALVERN

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Ashley Neading, Fiscal Officer  
[fiscaloff@villageofmalvern.net](mailto:fiscaloff@villageofmalvern.net)

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2016, expenditures plus outstanding encumbrances exceeded appropriations within the General Fund by \$37,652.	Corrective Action Taken and Finding is Partially Corrected	The Fiscal Officer sets the annual appropriations and enters data into the UAN system. The appropriation accounts are monitored continuously by the Fiscal Officer. The Fiscal Officer provides council with the Appropriations reports monthly for their review. If there is a time when appropriation accounts need to be modified, legislation will be completed to move funds. The Fiscal Officer will not exceed appropriated funds.
2016-002	Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Budgetary information entered into the accounting system does not match amounts per the appropriations received from the County in 2016 nor the estimated resources certified by the County Auditor in 2016. The Village lacked procedures to help ensure the UAN system reflected the actual approved/adopted budgetary information.	Corrective Action Taken and Finding is Partially Corrected	The Fiscal Officer will be responsible for updating budgetary information in the UAN system. Any information updated and certified from the County Auditor will be updated and reflected with UAN to ensure accurate financial information and reporting for the Village. Additionally, the Fiscal Officer will provide monthly financial reports to council with budgeted to actual figures and will monitor the budget to ensure there are not substantial variances that would result in the need for budgetary modifications.

2016-003	The Village's financial statements follow GASB 54; however, they did not use proper classifications for all of their fund balances. The 2016 General Fund balance was classified entirely as unassigned. However, \$64,512 should have been classified as assigned due to the subsequent year's appropriations exceeding the estimated receipts by this amount.	Corrective Action Taken; 2017 Not Corrected and 2018 corrected	The Fiscal Officer will appropriately classify fund balances when the annual financial reports are prepared. If necessary, the Village will consider certain monies classified in accordance GASB 54.
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# OHIO AUDITOR OF STATE KEITH FABER



**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  
OCTOBER 10, 2019**