



**VILLAGE OF MALINTA
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MALINTA
HENRY COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Malinta, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

We were unable to obtain sufficient evidential matter supporting utility charges for services receipts for the year ended December 31, 1999. The overall weaknesses in financial controls resulted in the theft of cash receipts. We were unable to determine the amount of the theft due to the lack of available utility records to audit. These charges for services are included in the Enterprise Fund Type and represent 75 percent of the receipts of the Enterprise Fund Type for the year ended December 31, 1999. Because of the lack of sufficient competent evidential matter, we are unable to express, and do not express, an opinion on the operating statement of the Enterprise Fund Type for the year ended December 31, 1999.

In our opinion, except as we do not express an opinion on the Enterprise Fund Type, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

Jim Petro
Auditor of State

May 24, 2001

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<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	\$67,979	\$1,263		\$69,242
Intergovernmental Receipts	15,512	9,540		25,052
Fines, Licenses, and Permits	4,141			4,141
Earnings on Investments	9,022	238		9,260
Miscellaneous	391	55		446
				<u>446</u>
Total Cash Receipts	<u>97,045</u>	<u>11,096</u>		<u>108,141</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	16,416	1,776		18,192
Leisure Time Activities	3,469			3,469
Community Environment	630			630
Basic Utility Services	2,390			2,390
Transportation	1,025	15,496		16,521
General Government	39,364			39,364
Capital Outlay	3,095	864	\$1,539	5,498
				<u>5,498</u>
Total Cash Disbursements	<u>66,389</u>	<u>18,136</u>	<u>1,539</u>	<u>86,064</u>
Total Receipts Over/(Under) Disbursements	<u>30,656</u>	<u>(7,040)</u>	<u>(1,539)</u>	<u>22,077</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		3,000	30,000	33,000
Transfers-Out	(33,000)			(33,000)
Other Financing Sources			2,682	2,682
Other Financing Uses	(2,112)			(2,112)
				<u>(2,112)</u>
Total Other Financing Receipts/(Disbursements)	<u>(35,112)</u>	<u>3,000</u>	<u>32,682</u>	<u>570</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,456)	(4,040)	31,143	22,647
Fund Cash Balances, January 1	<u>15,651</u>	<u>11,966</u>	<u>153,576</u>	<u>181,193</u>
Fund Cash Balances, December 31	<u>\$11,195</u>	<u>\$7,926</u>	<u>\$184,719</u>	<u>\$203,840</u>

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$136,479
Operating Cash Disbursements:	
Personal Services	9,795
Fringe Benefits	822
Contractual Services	37,117
Supplies and Materials	7,835
Capital Outlay	1,435
Total Operating Cash Disbursements	57,004
Operating Income	79,475
Non-Operating Cash Receipts:	
Intergovernmental Receipts	41,975
Non-Operating Cash Disbursements:	
Debt Service	111,721
Net Receipts Over Disbursements	9,729
Fund Cash Balances, January 1	15,730
Fund Cash Balances, December 31	\$25,459

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<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	\$67,665	\$2,129		\$69,794
Intergovernmental Receipts	18,223	8,677		26,900
Fines, Licenses, and Permits	649			649
Earnings on Investments	8,432	867		9,299
Miscellaneous	696	254		950
Total Cash Receipts	<u>95,665</u>	<u>11,927</u>		<u>107,592</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	8,313	951		9,264
Leisure Time Activities	3,748			3,748
Basic Utility Services	3,057			3,057
Transportation		7,570		7,570
General Government	25,937			25,937
Capital Outlay	578		\$26,922	27,500
Total Cash Disbursements	<u>41,633</u>	<u>8,521</u>	<u>26,922</u>	<u>77,076</u>
Total Receipts Over/(Under) Disbursements	<u>54,032</u>	<u>3,406</u>	<u>(26,922)</u>	<u>30,516</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			25,512	25,512
Transfers-Out	(25,512)			(25,512)
Other Financing Uses	(16,749)			(16,749)
Total Other Financing Receipts/(Disbursements)	<u>(42,261)</u>		<u>25,512</u>	<u>(16,749)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,771	3,406	(1,410)	13,767
Fund Cash Balances, January 1	<u>3,880</u>	<u>8,560</u>	<u>154,986</u>	<u>167,426</u>
Fund Cash Balances, December 31	<u>\$15,651</u>	<u>\$11,966</u>	<u>\$153,576</u>	<u>\$181,193</u>

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$125,208
Operating Cash Disbursements:	
Personal Services	8,731
Supplies and Materials	14,824
Capital Outlay	28,470
Miscellaneous	128
Total Operating Cash Disbursements	52,153
Operating Income	73,055
Non-Operating Cash Receipts:	
Intergovernmental Receipts	41,975
Non-Operating Cash Disbursements:	
Debt Service	111,721
Net Receipts Over Disbursements	3,309
Fund Cash Balances, January 1	12,421
Fund Cash Balances, December 31	\$15,730

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Malinta, Henry County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utility, park operations (leisure time activities), and police services

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund 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 Fund

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

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

Permissive Motor Vehicle License Tax Fund - This fund receives license tag fees from motor vehicles' registration money for maintaining and repairing Village streets.

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. Capital Project Funds

These funds are used to 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:

Capital Improvement Fund - This fund receives proceeds of local income tax to be used for capital improvements of the Village.

4. Enterprise Funds

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

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

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 and function level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

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. However, no material unrecorded encumbrances were outstanding at December 31.

A summary of 2000 and 1999 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.

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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 AND INVESTMENTS

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

	2000	1999
Demand deposits	\$84,655	\$53,699
Certificates of deposit	144,644	143,224
Total deposits	\$229,299	\$196,923

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$139,710	\$97,045	(\$42,665)
Special Revenue	15,800	14,096	(1,704)
Capital Projects	12,100	32,682	20,582
Enterprise	291,700	178,454	(113,246)
Total	\$459,310	\$322,277	(\$137,033)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,265	\$101,501	\$54,764
Special Revenue	25,625	18,136	7,489
Capital Projects	14,000	1,539	12,461
Enterprise	309,123	168,725	140,398
Total	\$505,013	\$289,901	\$215,112

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$95,665	(\$9,335)
Special Revenue	8,500	11,927	3,427
Capital Projects	25,000	25,512	512
Enterprise	175,800	167,183	(8,617)
Total	\$314,300	\$300,287	(\$14,013)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,755	\$83,894	\$34,861
Special Revenue	16,300	8,521	7,779
Capital Projects	40,000	26,922	13,078
Enterprise	187,500	163,874	23,626
Total	\$362,555	\$283,211	\$79,344

Contrary to Ohio Administrative Code, for certain funds, the Village did not report estimated resources from the amended estimated certificates and estimated expenditures from appropriation resolutions. The budgetary financial note correctly reflects approved budgeted resources and appropriations.

4. PROPERTY TAX

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$986,730	7.77%

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved \$1,216,411 in a loan to the Village for this project. The loan will be repaid in semiannual installments of \$55,861, including interest, over 25 years. The Village is responsible for this loan. However, the Village entered into a contract with the City of Napoleon and is receiving \$41,796 annually from the City toward the retirement of this debt. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year Ending December 31:	OWDA Loan
2001	\$111,722
2002	111,722
2003	111,722
2004	111,722
2005	111,722
Subsequent	1,173,073
Total	\$1,731,683

Contrary to the debt covenant the Village has not submitted annual reports to OWDA for the accounts and operation of the Village.

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% in 2000 and 13.55% in 1999. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- General liability and casualty;
- Public official's liability; and
- Vehicle.

8. COMPLIANCE

Contrary to Ohio Revised Code, the prior Clerk-Treasurer did not retain utility billing and collection records supporting its utility charges for services receipts for the year ended December 31, 1999.

Contrary to Ohio Revised Code, the prior Clerk-Treasurer misappropriated cash receipts, in which \$3,100 was returned to the Village in fiscal 2001.

Contrary to Village of Malinta Ordinance, in 1999, Council authorized income tax distributions of \$58,600. \$11,400 (19%) was set aside for capital improvements in the Other Capital Projects Fund. At a minimum, \$17,580 (30%) should have been credited to the Other Capital Projects Fund.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Malinta, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 24, 2001, which report disclaimed an opinion on the operating statement of the Enterprise Fund Type for the year ended December 31, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2000-30135-001, 2000-30135-002, 2000-30135-003, 2000-30135-004, 2000-30135-005, 2000-30135-006 and 2000-30135-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 24, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-30135-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated May 24, 2001.

This report is intended 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.

Jim Petro
Auditor of State

May 24, 2001

VILLAGE OF MALINTA
HENRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30135-001

Finding Repaid Under Audit

Melissa Heitman, former Village of Malinta Clerk-Treasurer, made a statement to representatives of the Ohio Auditor of State Office that in 1999 \$3,100 in utility charges for services receipts were used by her for personal use.

Based on the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public money converted and misappropriated is hereby issued against Melissa Heitman, former Village of Malinta Clerk-Treasurer, in the amount of three thousand, one hundred dollars (\$3,100), and in favor of the Village of Malinta Water Fund.

Payment in the amount of \$3,100 was received from Melissa Heitman, former Clerk-Treasurer on March 23, 2001. Receipt number 777 was issued and the monies were posted to the Village of Malinta Water Fund.

FINDING NUMBER 2000-30135-002

Noncompliance Citation

Ohio Revised Code § 149.351(A) states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under §§ 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The utility billing and collection records supporting its utility charges for services receipts for the year ended December 31, 1999 were not available for audit. These utility charges for services receipts are included in the Enterprise fund type and represent 75 percent of the receipts of the Enterprise fund type. The Village's records do not permit the application of other auditing procedures to the utility charges for services receipts.

All records of the Village should be retained and only disposed of under the rules adopted by the records commissions provided for under §§ 149.38 to 149.42 of the Revised Code. Also, we recommend that the Village review the above named sections and establish a record's commission as required by law.

FINDING NUMBER 2000-30135-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2000-30135-003
(Continued)

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund 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 fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Clerk-Treasurer did not make the proper certification of funds for 32 percent of the transactions tested during the audit period. We recommend that the Clerk-Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blankets," "then and now" or "super blanket" certificates.

FINDING NUMBER 2000-30135-004

Noncompliance Citation

Ohio Administrative Code § 117-5-10 states each village shall maintain a receipts ledger which shall contain a separate sheet for each account established by the village. The Village shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

The following funds had estimated revenue amounts posted to the revenue history reports (the receipts ledger), which did not match the amounts in the certificate of estimated resources by the amounts listed.

**FINDING NUMBER 2000-30135-004
 (Continued)**

	<u>Receipts Ledger</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
<u>2000</u>			
Street Construction, Maintenance and Repair Fund	\$10,000	\$12,000	\$2,000
<u>1999</u>			
General Fund	56,538	45,000	11,538
Street Construction, Maintenance and Repair Fund	10,550	4,000	6,550
Water Fund	391,800	175,800	216,000

The budgetary financial note correctly reflects amounts from the certificate of estimated resources.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position.

Ohio Administrative Code § 117-5-10 was replaced by Ohio Administrative Code §§ 117-2-02 (C)(1) and (D)(2) as of July 1, 2000. The replacement section suggests that local governments maintain much of the records in much the same format as the superseded sections.

We recommend the taxes revenue and total other sources revenue amounts posted to the revenue history reports should be reconciled with the taxes revenue and total other sources revenue amounts officially approved on the Amended Certificates of Estimated Resources.

FINDING NUMBER 2000-30135-005

Noncompliance Citation

Ohio Administrative Code § 117-5-11 states each village shall maintain an appropriation ledger which shall contain a separate sheet for each account established. Each village shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s).

In 1999, the following funds had budgeted expenditures in the budget history reports (the appropriation ledger) which did not match the amounts appropriated in the appropriations resolutions by the amounts listed.

	<u>Appropriation Ledger</u>	<u>Appropriation Resolutions</u>	<u>Difference</u>
General Fund	\$139,105	\$118,755	\$20,350
Street Construction, Maintenance and Repair Fund	8,800	7,300	1,500
Permissive Motor Vehicle License Tax Fund	20,600	7,000	13,600
Water Fund	279,525	187,500	92,025

FINDING NUMBER 2000-30135-005
(Continued)

The budgetary financial note correctly reflects amounts from annual appropriation resolutions and any amendments.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position.

Ohio Administrative Code § 117-5-11 was replaced by Ohio Administrative Code §§ 117-2-02 (C1) and (D3) as of July 1, 2000. The replacement sections suggest that local governments maintain much of the records in much the same format as the superseded section.

We recommend the budgeted expenditures posted to the budget reports reflect the amounts originally approved on the appropriation resolutions and any modifications approved by the Council in the minutes.

FINDING NUMBER 2000-30135-006

Finding for Adjustment

Village of Malinta Ordinance Number 80-93, Section 10 (3), (amended December 14, 1998 by Ordinance Number 182-98), states that least 30 percent of the net available income tax receipts received annually shall be set aside and used for capital improvements for the Village.

In 1999, Council authorized income tax distributions of \$58,600. \$11,400 (19%) was set aside for capital improvements in the Other Capital Projects Fund. At a minimum, \$17,580 (30%) should have been credited to the Other Capital Projects Fund. Based on these facts a finding for adjustment is hereby issued for \$6,180 against the General Fund in favor of the Other Capital Projects Fund.

FINDING NUMBER 2000-30135-007

Noncompliance Citation

Section 4.3 (b) of the Cooperative Agreement for Construction, Maintenance and Operation between the Ohio Water Development Authority (OWDA) and the Village of Malinta, states that the Village is to furnish to OWDA annually reports of the operation and income of the utility and also an annual report of the accounts and operations of the utility.

The Village did not file such a report with OWDA for 2000 and 1999. This could influence any future funding, if requested, from OWDA. We recommend that the Village file such a report with the OWDA on an annual basis.

FINDING NUMBER 2000-30135-008

Material Weakness

The accounting system for utility billings and collections should assure that completeness can be achieved for all related transactions and account balances. The Village's utility billing and collection system had internal control weaknesses noted below, which resulted in the misappropriation of water utility cash assets, by the prior Clerk, occurring and not being detected by Village officials.

FINDING NUMBER 2000-30135-008
(Continued)

- The Clerk-treasurer does not reconcile customer account collections to general ledger receipts and to deposits made. In addition, adjustments to customer accounts were made without approval from the Board of Public Affairs (BPA).
- Billing cards are not dated when paid, and it is difficult to determine the timing of deposits made to the posting to the customer accounts
- Records of bulk water sales are incomplete. Beginning and ending meter readings are not required to be recorded by users.

To strengthen the water utility accounting procedures and provide the BPA with reasonable assurance over the safeguarding of water utility cash assets, we recommend the following:

- A monthly report should be run reconciling customer accounts subsidiary ledger to the receipts recorded in the cash receipt's ledger and the deposits made. This should be presented to the Board of Public Affairs and initialed by board members indicating their review. Also, all adjustments to customer accounts should be formally approved by the BPA.
- The Clerk-Treasurer should date all billing cards when payments are received. These billing cards should be bundled by date of deposit.
- A log of bulk water sales should be maintained. This log should include beginning and ending meter readings for each sale. A member of the BPA should compare information from the log to customer billings.

Given the significant internal control weaknesses noted in finding 2000-30135-008 and the lack of supporting documentation noted in finding 2000-30135-002, there could be a possibility of other missing monies in addition to the \$3,100.

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VILLAGE OF MALINTA
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30135-003	Ohio Revised Code § 5705.41(D), improper fiscal officer certification of certain expenditures.	No	Not Corrected.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF MALINTA

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 12, 2001**