

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

Village of Malta, Morgan County

For the Two Years Ended December 31, 2004 and 2003

William Kenneth Yoho II
Certified Public Accountant

Post Office Box 521, Belpre, Ohio 45714-0521 Phone/Fax: (740) 989-5220



**Auditor of State
Betty Montgomery**

Board of Trustees
Village of Malta
449 Main Street
Malta, Ohio 43758

We have reviewed the *Independent Auditor's Report* of the Village of Malta, Morgan County, prepared by William Kenneth Yoho, CPA for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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BETTY MONTGOMERY
Auditor of State

April 18, 2006

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VILLAGE OF MALTA, MORGAN COUNTY
 ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
 FOR THE TWO YEARS ENDED DECEMBER 31, 2004

<u>ELECTED OFFICIAL</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>
Paul Barkhurst	Mayor	01/01/01 to 12/31/05
Trudy Clemens	Clerk-Treasurer	04/01/03 to 03/31/07
Greg Hill	Council Member	01/01/03 to 12/31/07
Thomas Gormley	Council Member	01/01/01 to 12/31/05
Thomas McCoy	Council Member	01/01/01 to 12/31/05
Terry McGrath	Council Member	01/01/01 to 12/31/05
James White	Council Member	01/01/03 to 12/31/07
Janet White	Council Member	01/01/01 to 12/31/05

<u>ADMINISTRATIVE PERSONNEL</u>	<u>TITLE</u>	<u>CONTRACT PERIOD</u>
Linda Nichols	Utility Clerk / Tax Commissioner	Continuing
Walter Wallace	Village Administrator / Foreman	Continuing

Legal Counsel:

Amy Graham, Solicitor
 143 East Main Street, P. O. Box 537
 McConnelsville, OH 43756

**VILLAGE OF MALTA, MORGAN COUNTY
DECEMBER 31, 2004 and 2003**

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

WILLIAM KENNETH YOHO II

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

June 17, 2005

Mayor and Village Council
Village of Malta, Morgan County
Malta, Ohio 43758

I have audited the accompanying financial statements of the Village of Malta, Morgan County, Ohio (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 I plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described more fully in Note 2, the Village prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, I presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require me to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

P. O. Box 521, Belpre, Ohio 45714-0521 Phone/Fax: (740) 989-5220

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Malta, Morgan County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

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

In accordance with *Government Auditing Standards*, I have also issued a report dated June 17, 2005, on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. Users of this report should read the report on pages 18 and 19 in conjunction with this report in assessing the results of my audit.

A handwritten signature in blue ink that reads "Wm. K. Yoho II, CPA". The signature is written in a cursive style and is placed on a light yellow rectangular background.

William Kenneth Yoho II
Certified Public Accountant

VILLAGE OF MALTA, MORGAN COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Memorandum Only</u>
Cash receipts:				
Local taxes	\$ 95,372	\$ 13,074	\$ 0	\$ 108,446
Intergovernmental	60,364	108,054	233,766	402,184
Fines, licenses, and permits	7,452	427	0	7,879
Miscellaneous	<u>2,457</u>	<u>392</u>	<u>0</u>	<u>2,849</u>
Total cash receipts	<u>165,645</u>	<u>121,947</u>	<u>233,766</u>	<u>521,358</u>
Cash disbursements:				
Security of persons and property	235	9,289	0	9,524
Public health services	3,772	0	0	3,772
Leisure time activities	11,905	6,419	0	18,324
Basic utility services	17,112	7,138	0	24,250
Transportation	0	31,559	0	31,559
General government	203,485	1,293	0	204,778
Capital outlay	<u>18,872</u>	<u>59,523</u>	<u>228,524</u>	<u>306,919</u>
Total cash disbursements	<u>255,381</u>	<u>115,221</u>	<u>228,524</u>	<u>599,126</u>
Other receipts and disbursements:				
Sale of fixed asset	1,175	0	0	1,175
Transfers in (out)	<u>(522)</u>	<u>522</u>	<u>0</u>	<u>0</u>
Total other receipts and disbursements	<u>653</u>	<u>522</u>	<u>0</u>	<u>1,175</u>
Excess (deficiency) of cash receipts over cash disbursements	(89,083)	7,248	5,242	(76,593)
Fund cash balances, January 1, 2004	<u>131,909</u>	<u>44,496</u>	<u>(12,397)</u>	<u>164,008</u>
Fund cash balances, December 31, 2004	<u>\$ 42,826</u>	<u>\$ 51,744</u>	<u>\$ (7,155)</u>	<u>\$ 87,415</u>
Reserve for encumbrances, December 31, 2004	<u>\$ 4,744</u>	<u>\$ 507</u>	<u>\$ 44,958</u>	<u>\$ 50,209</u>

Refer to the auditor's reports and the notes to the financial statements.

VILLAGE OF MALTA, MORGAN COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Memorandum Only</u>
Cash receipts:				
Local taxes	\$ 92,591	\$ 11,826	\$ 0	\$ 104,417
Intergovernmental	77,674	53,515	0	131,189
Fines, licenses, and permits	4,866	224	0	5,090
Miscellaneous	<u>4,541</u>	<u>664</u>	<u>0</u>	<u>5,205</u>
Total cash receipts	<u>179,672</u>	<u>66,229</u>	<u>0</u>	<u>245,901</u>
Cash disbursements:				
Security of persons and property	235	9,166	0	9,401
Public health services	4,294	0	0	4,294
Leisure time activities	8,595	0	0	8,595
Basic utility services	5,931	0	0	5,931
Transportation	806	58,598	0	59,404
General government	181,368	451	0	181,819
Capital outlay	<u>4,213</u>	<u>13,944</u>	<u>12,397</u>	<u>30,554</u>
Total cash disbursements	<u>205,442</u>	<u>82,159</u>	<u>12,397</u>	<u>299,998</u>
Other receipts and disbursements:				
Transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other receipts and disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of cash receipts over cash disbursements	(25,770)	(15,930)	(12,397)	(54,097)
Fund cash balances, January 1, 2003	<u>157,676</u>	<u>60,426</u>	<u>0</u>	<u>218,102</u>
Fund cash balances, December 31, 2003	<u>\$ 131,906</u>	<u>\$ 44,496</u>	<u>\$ (12,397)</u>	<u>\$ 164,005</u>
Reserve for encumbrances, December 31, 2003	<u>\$ 50,479</u>	<u>\$ 21,400</u>	<u>\$ 163,732</u>	<u>\$ 235,611</u>

Refer to the auditor's reports and the notes to the financial statements.

VILLAGE OF MALTA, MORGAN COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES – PROPRIETARY FUND TYPE
 AND SIMILAR FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals Memorandum Only</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$ 232,707	\$ 0	\$ 232,707
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total operating cash receipts	<u>232,707</u>	<u>0</u>	<u>232,707</u>
Operating cash disbursements:			
Personal services	99,450	0	99,450
Contractual services	97,646	0	97,646
Supplies and materials	<u>50,580</u>	<u>0</u>	<u>50,580</u>
Total operating cash disbursements	<u>247,676</u>	<u>0</u>	<u>247,676</u>
Operating income (loss)	<u>(14,969)</u>	<u>0</u>	<u>(14,969)</u>
Non-operating cash receipts:			
Miscellaneous receipts	10,126	0	10,126
Other non-operating receipts	19,341	10,584	29,925
Transfers in	<u>0</u>	<u>0</u>	<u>0</u>
Total non-operating cash receipts	<u>29,467</u>	<u>10,584</u>	<u>40,051</u>
Non-operating cash disbursements:			
Debt service	13,062	0	13,062
Other non-operating disbursements	<u>7,440</u>	<u>9,679</u>	<u>17,119</u>
Total non-operating cash disbursements	<u>20,502</u>	<u>9,679</u>	<u>30,181</u>
Net income (loss)	(6,004)	905	(5,099)
Fund cash balances, January 1, 2004	<u>30,406</u>	<u>397</u>	<u>30,803</u>
Fund cash balances, December 31, 2004	<u>\$ 24,402</u>	<u>\$ 1,302</u>	<u>\$ 25,704</u>
Reserve for encumbrances, December 31, 2004	<u>\$ 4,437</u>	<u>\$ 0</u>	<u>\$ 4,437</u>

Refer to the auditor's reports and the notes to the financial statements.

VILLAGE OF MALTA, MORGAN COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES – PROPRIETARY FUND TYPE
 AND SIMILAR FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals Memorandum Only</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$ 191,679	\$ 0	\$ 191,679
Miscellaneous	<u>218</u>	<u>0</u>	<u>218</u>
Total operating cash receipts	<u>191,897</u>	<u>0</u>	<u>191,897</u>
Operating cash disbursements:			
Personal services	79,147	0	79,147
Contractual services	95,515	0	95,515
Supplies and materials	38,371	0	38,371
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>
Total operating cash disbursements	<u>213,033</u>	<u>0</u>	<u>213,033</u>
Operating income (loss)	<u>(21,136)</u>	<u>0</u>	<u>(21,136)</u>
Non-operating cash receipts:			
Miscellaneous receipts	0	0	0
Other non-operating receipts	<u>9,115</u>	<u>5,358</u>	<u>14,473</u>
Total non-operating cash receipts	<u>9,115</u>	<u>5,358</u>	<u>14,473</u>
Non-operating cash disbursements:			
Debt service	41,282	0	41,282
Other non-operating disbursements	<u>0</u>	<u>5,921</u>	<u>5,921</u>
Total non-operating cash disbursements	<u>41,282</u>	<u>5,921</u>	<u>47,203</u>
Net income (loss)	(53,303)	(563)	(53,866)
Fund cash balances, January 1, 2003	<u>83,709</u>	<u>960</u>	<u>84,669</u>
Fund cash balances, December 31, 2003	<u>\$ 30,406</u>	<u>\$ 397</u>	<u>\$ 30,803</u>
Reserve for encumbrances, December 31, 2003	<u>\$ 1,697</u>	<u>\$ 0</u>	<u>\$ 1,697</u>

Refer to the auditor's reports and the notes to the financial statements.

VILLAGE OF MALTA, MORGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 and 2003

Note 1. Reporting Entity

Description of the Entity The Village of Malta, Morgan 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 and sewer utilities, park operations (leisure time activities), and police services.

The Village has financial relationships with the Malta Union Cemetery and a special arrangement with the Village of McConnelsville for joint ownership and operation of a swimming pool. Additional information concerning these relationships is presented in Note 7. 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 and Procedures

Basis of Accounting The Village of Malta, Morgan County prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts and the related assets are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.) Refer to Note 4 for further disclosures. The Village's management believes these financial statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided those standards do not conflict with or contradict GASB pronouncements. The significant portions of the Village's accounting policies are described below.

Fund Accounting The Village maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The Village classifies its funds into the following types.

General Fund The general fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be restricted for other purposes.

Special Revenue Funds The special revenue 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 during the period of this report.

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

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

Fire Protection Fund This fund receives local tax dollars from a special levy for offsetting fire protection costs within the Village.

VILLAGE OF MALTA, MORGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 and 2003
Continued

Note 2. Summary of Significant Accounting Policies and Procedures (continued)

Fund Accounting (continued)

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

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

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

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

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

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

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

Budgetary Process The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. This process is discussed below.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year fund cash balances. The County Budget Commission must also approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end carry over into the next year and need not be reappropriated. A summary of 2004 and 2003 budgetary activity appears in Note 4 below.

Property, Plant, and Equipment Acquisitions and/or construction of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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.

VILLAGE OF MALTA, MORGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 and 2003
Continued

Note 3. 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 bank balances as of December 31, 2004 and 2003 were \$217,580 and \$207,714, respectively. These deposits were either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village and held by a qualified third party trustee.

Note 4. Budgetary Activity

The Village's budgeted receipts and disbursements for the fiscal year are summarized below.

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 153,915	\$ 166,820	\$ 12,905
Special revenue	\$ 39,125	\$ 122,469	\$ 83,344
Enterprise	\$ 380,100	\$ 262,174	\$ (117,926)
Capital projects	\$ 0	\$ 233,766	\$ 233,766

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgeted Expenditures</u>	<u>Variance</u>
General	\$ 275,304	\$ 260,647	\$ 14,657
Special revenue	\$ 162,021	\$ 115,728	\$ 46,293
Enterprise	\$ 407,268	\$ 272,615	\$ 134,653
Capital projects	\$ 411,400	\$ 273,482	\$ 137,918

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 155,095	\$ 179,672	\$ 24,577
Special revenue	\$ 52,030	\$ 66,229	\$ 14,199
Enterprise	\$ 185,000	\$ 201,012	\$ 16,012
Capital projects	\$ 0	\$ 0	\$ 0

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgeted Expenditures</u>	<u>Variance</u>
General	\$ 319,052	\$ 255,921	\$ 63,131
Special revenue	\$ 153,624	\$ 103,559	\$ 50,065
Enterprise	\$ 269,828	\$ 256,012	\$ 13,816
Capital projects	\$ 258,000	\$ 176,129	\$ 81,871

VILLAGE OF MALTA, MORGAN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004 and 2003
 Continued

Note 4. Budgetary Activity (continued)

Contrary to Ohio Revised Code §5701.41(B), Appropriations for the year ended December 31, 2004, exceeded Estimated Resources in the following fund:

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
Fire protection fund	\$ 15,030	\$ 22,336	\$ (6,430)

Also contrary to Ohio Revised Code §5701.10, the capital projects fund had a negative cash balance at the end of each fiscal year in the audit period. The negative balance at December 31, 2004 was \$17,155. The negative balance at December 31, 2003 was \$12,397.

Note 5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by 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.

Note 6. Notes Payable

Long-term debt outstanding at December 31, 2004 and 2003 was as follows:

The Ohio Water Development Authority (OWDA) sewer loan (loan number 1712) relates to modifications to existing combined sewer overflows and modifications to the existing sewage pumping station. The principal due as of the end of the two years December 31, 2004 and 2003 was \$60,148 and \$67,035, respectively, with an interest rate of 7.96% and a semi-annual payment of \$6,111.

The OWDA water loan (loan number 3212) was used for improvements to the Village water treatment plant. The OWDA approved a loan application to the Village of Malta for \$768,400 at 2% interest for twenty-five years with semi-annual payments of \$14,698. The principal due as of the end of the two years December 31, 2004 and 2003 was \$506,846 and \$525,036, respectively.

VILLAGE OF MALTA, MORGAN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004 and 2003
 Continued

Note 6. Notes Payable (continued)

The cash required to amortize the two OWDA loans described above is as follows:

<u>December 31</u>	<u>Loan 1712</u>	<u>Loan 3212</u>
2005	\$ 7,435	\$ 18,555
2006	8,027	18,928
2007	8,666	19,309
2008	9,355	19,697
2009	10,100	20,093
To maturity	16,565	410,264

The Village of Malta purchased a 1996 Chevrolet ¾-ton, 4-wheel drive pickup truck in March 2003. The Village borrowed \$9,115 from North Valley Bank for the purchase. The loan has an interest rate of 3.75% for 36 months. The principal due as of December 31, 2004 and 2003 was \$4,179 and \$7,179, respectively.

<u>Year Ended</u>	<u>Principal Required</u>
2005	\$ 3,117
To maturity	1,062

Note 7. Income Tax

The Village of Malta has levied a tax of one percent applied to gross salaries, wages, and other personal service compensation earned by residents both in and out of Malta and to earnings of non-residents (except certain transients) earned in the municipality. It also applies to net income to business organizations conducted with Malta. Tax receipts are credited to the general fund of the Village. Municipal tax receipts for the two years ended December 31, 2004 and 2003 were \$87,080 and \$83,436.

Note 8. Retirement Systems

The Village's officials and 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 post-retirement health care, 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 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004. Employees' contributions were \$15,779 and \$13,978 for 2004 and 2003, respectively. Employer's contributions were for \$25,152 and \$22,282, for the same periods.

VILLAGE OF MALTA, MORGAN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2004 and 2003
 Continued

Note 9. Joint Ventures

The Village of McConnelsville and Village of Malta have established a Recreation Committee under the provisions of Ohio Revised Code Section 755.16 to construct, operate, and maintain a swimming pool to provide organized recreational programs for the citizens of both Villages. The Committee consists of three Council Members from each Village appointed by the respective Village Councils and the Mayor of the Villages in alternating two-year terms. Receipts and disbursements are budgeted and accounted for by the Villages in alternative two-year terms. Each Village shares equally in any operation disbursements in excess of collection of user fees. The Committee can be dissolved only by mutual consent of both Village Councils. If the Committee would be dissolved, original start up assets revert to the contributing village or if acquired jointly, would be split equally. The activity for 2003 was accounted for and reported by the Village of McConnelsville as part of their enterprise funds. The activity for 2004 is reported here as part of the enterprise funds discussed above and is summarized below.

Operating receipts	\$ 37,283
Operating expenditures	(51,844)
Non-operating receipts (subsidies)	<u>19,834</u>
 Net increase (decrease) in fund balance	 <u>\$ 5,273</u>

Note 10. Risk Management

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

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

**VILLAGE OF MALTA, MORGAN COUNTY
DECEMBER 31, 2004 and 2003**

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

WILLIAM KENNETH YOHO II

CERTIFIED PUBLIC ACCOUNTANT

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

June 17, 2005

Mayor and Village Council
Village of Malta, Morgan County
Malta, Ohio 43758

I have audited the basic financial statements of Village of Malta, Morgan County (the "Village") as of and for the years ended December 31, 2004 and 2003, and have issued my report thereon dated June 17, 2005, wherein I noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed certain instances of noncompliance that are required to be reported under *Government Auditing Standards*. These items are described in the accompanying schedule of findings as items number 2004-01 through 2004-03.

Internal Control over Financial Reporting In planning and performing my audit, I considered Village's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. *Reportable conditions* involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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. This reportable condition is described in the accompanying schedule of findings as item number 2004-04.

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. My 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. I believe the reportable condition described above is not a material weakness. I noted certain other matters involving the internal control over financial reporting that do not require inclusion in this report that I have reported to the District's management in a separate letter dated June 17, 2005.

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

A handwritten signature in blue ink that reads "Wm. K. Yoho II, CPA". The signature is written in a cursive style and is placed on a light yellow rectangular background.

William Kenneth Yoho II
Certified Public Accountant

VILLAGE OF MALTA, MORGAN COUNTY

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 and 2003**

VILLAGE OF MALTA, MORGAN COUNTY
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2004 and 2003

Finding Number 2004-01
Noncompliance Citation – Expenditures Exceeding Appropriation Authority

Ohio Revised Code § 5705.41(B) states that “no subdivision or taxing unit is to expend money unless it has been appropriated.” The Village of Malta expenditures plus encumbrances exceeded appropriations as outlined below:

For the year ended December 31, 2004

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Fire Protection Fund	\$ 15,906	\$ 22,336	\$ (6,430)

Failure to limit expenditures by the approved appropriations could result in deficit spending, which could lead to deficit cash fund balances.

I recommend that Village Council and the Clerk-Treasurer monitor their budgetary cycle throughout the year to ensure that disbursements do not exceed the appropriations and prior year carryover encumbrances. The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. This will help ensure monies are properly appropriated and available for disbursement.

Finding Number 2004-02
Noncompliance Citation – Negative Fund Balances

Ohio Revised Code § 5705.10 requires that monies paid into any fund be used only for purposes for which such fund is established. The Village had the following negative cash fund balances:

For the year ended December 31, 2004

The capital projects fund had a negative balance of \$7,155.

For the year ended December 31, 2003

The capital projects fund had a negative balance of \$12,397.

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Clerk-Treasurer to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

VILLAGE OF MALTA, MORGAN COUNTY
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2004 and 2003
 Continued

Finding Number 2004-03
Noncompliance Citation – Appropriations Exceed Estimated Resources

Ohio Revised Code § 5705.39 states that total appropriations from each fund may not exceed the total estimated revenues for the year. Appropriations in several funds exceeded estimated revenues plus unencumbered fund cash balances as follows:

For the year ended December 31, 2004

<u>Fund</u>	<u>Appropriations</u>	<u>Available Resources</u>	<u>Variance</u>
Reserve account fund	\$ 10,347	\$ 6,347	\$ (4,000)
Water fund	\$ 246,868	\$ 136,644	\$(110,224)
Sewer fund	\$ 101,900	\$ 101,153	\$ (747)
Pool fund	\$ 58,500	\$ 54,783	\$ (3,717)
Capital projects fund	\$ 411,400	\$ 221,369	\$(190,031)

For the year ended December 31, 2003

<u>Fund</u>	<u>Appropriations</u>	<u>Available Resources</u>	<u>Variance</u>
Fire protection fund	\$ 30,047	\$ 25,558	\$ (4,489)
Reserve account fund	\$ 10,347	\$ 6,347	\$ (4,000)
Pump station fund	\$ 12,934	\$ 11,641	\$ (1,293)
Computer fund	\$ 2,283	\$ 2,007	\$ (276)

As with Finding #2004-01 above, I recommend that the Village Council and the Clerk-Treasurer monitor their budgetary cycle throughout the year to ensure that disbursements do not exceed the appropriations and prior year carryovers. If necessary, appropriations and estimated resources may be amended. This will help ensure monies are properly appropriated and available for disbursement.

Finding Number 2004-04
Reportable Condition – Cash Receipts from Bulk Water Sales

During the audit, I discovered a situation that may place cash receipts from bulk water sales at risk. The Village sells bulk water via a coin-operated vending machine. This vending machine accepts only quarters and dispenses a fixed amount of water for each coin. Currently, one Village employee collects all the quarters from the vending machine and delivers them to the Village depository. Bank employees count the change, deposit the balance into the Villages general operating account, and send a deposit receipt to the Village Clerk.

I submit the following recommendations for consideration: 1) There should never be fewer than two employees taking money from the vending machine. Both should provide written evidence of their responsibility for the safekeeping of bulk water sales receipts. 2) Employees collecting cash from the vending machine should record the water meter reading each time the machine is opened. 3) All cash receipts should be counted and logged before being delivered to the bank, even if the bank still counts the money before it is deposited.



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VILLAGE OF MALTA

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 4, 2006**