



**VILLAGE OF MALINTA
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF MALINTA
HENRY COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

October 5, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Malinta
Henry County
103 ½ N. Turkeyfoot Ave., 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, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. Additionally, the Village reclassified its presentation of the Income Tax Fund as described in Note 2.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our 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 Malinta, Henry County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 5, 2007

**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, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$7,344			\$7,344
Municipal Income Tax		\$61,244		61,244
Intergovernmental	13,660	14,168		27,828
Charges for Services			\$1,230	1,230
Fines, Licenses and Permits	45			45
Earnings on Investments	5,333	65		5,398
Miscellaneous	372			372
	<u>26,754</u>	<u>75,477</u>	<u>1,230</u>	<u>103,461</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	4,821	294		5,115
Leisure Time Activities	2,010			2,010
Community Environment	727			727
Basic Utility Service	1,050			1,050
Transportation	24	9,434		9,458
General Government	39,248	939		40,187
Capital Outlay	2,733	300	18,079	21,112
	<u>50,613</u>	<u>10,967</u>	<u>18,079</u>	<u>79,659</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(23,859)</u>	<u>64,510</u>	<u>(16,849)</u>	<u>23,802</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	35,000		16,314	51,314
Transfers-Out	(2,266)	(50,000)		(52,266)
Other Financing Sources	13		1,500	1,513
Other Financing Uses	(978)			(978)
	<u>31,769</u>	<u>(50,000)</u>	<u>17,814</u>	<u>(417)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	7,910	14,510	965	23,385
Fund Cash Balances, January 1	<u>13,647</u>	<u>37,999</u>	<u>153,624</u>	<u>205,270</u>
Fund Cash Balances, December 31	<u><u>\$21,557</u></u>	<u><u>\$52,509</u></u>	<u><u>\$154,589</u></u>	<u><u>\$228,655</u></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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$170,595
Operating Cash Disbursements:	
Personal Services	15,591
Employee Fringe Benefits	3,157
Contractual Services	91,094
Supplies and Materials	2,680
Other	846
Total Operating Cash Disbursements	113,368
Operating Income	57,227
Non-Operating Cash Receipts:	
Loan Proceeds	32,128
Other Non-Operating Cash Receipts	39,757
Total Non-Operating Cash Receipts	71,885
Non-Operating Cash Disbursements:	
Capital Outlay	10,637
Redemption of Principal	50,957
Interest and Other Fiscal Charges	54,742
Other Non-Operating Cash Disbursements	44
Total Non-Operating Cash Disbursements	116,380
Excess of Cash Receipts OverCash Disbursements Before Interfund Transfers	12,732
Transfers-In	952
Net Receipts Over Disbursements	13,684
Fund Cash Balances, January 1	68,348
Fund Cash Balances, December 31	\$82,032

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, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$6,926			\$6,926
Municipal Income Tax		\$60,756		60,756
Intergovernmental	13,726	13,234		26,960
Charges for Services			\$1,250	1,250
Fines, Licenses and Permits	233			233
Earnings on Investments	3,332	26		3,358
Miscellaneous		69	2,371	2,440
	<u>24,217</u>	<u>74,085</u>	<u>3,621</u>	<u>101,923</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	6,463	610		7,073
Leisure Time Activities	1,454			1,454
Community Environment	610			610
Basic Utility Service	893			893
Transportation	63	5,443		5,506
General Government	41,078	2,803		43,881
Capital Outlay	995	269	6,119	7,383
	<u>51,556</u>	<u>9,125</u>	<u>6,119</u>	<u>66,800</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(27,339)</u>	<u>64,960</u>	<u>(2,498)</u>	<u>35,123</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	28,000		13,153	41,153
Transfers-Out	(1,717)	(40,000)		(41,717)
Other Financing Sources	212			212
Other Financing Uses	(900)			(900)
	<u>25,595</u>	<u>(40,000)</u>	<u>13,153</u>	<u>(1,252)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,744)	24,960	10,655	33,871
Fund Cash Balances, January 1	<u>15,391</u>	<u>13,039</u>	<u>142,969</u>	<u>171,399</u>
Fund Cash Balances, December 31	<u><u>\$13,647</u></u>	<u><u>\$37,999</u></u>	<u><u>\$153,624</u></u>	<u><u>\$205,270</u></u>
Reserve for Encumbrances, December 31	<u>\$245</u>	<u>\$13</u>		<u>\$258</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$161,492
Operating Cash Disbursements:	
Personal Services	15,022
Employee Fringe Benefits	2,696
Contractual Services	58,025
Supplies and Materials	3,114
Other	1,067
Total Operating Cash Disbursements	79,924
Operating Income	81,568
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	39,576
Non-Operating Cash Disbursements:	
Capital Outlay	5,903
Redemption of Principal	47,283
Interest and Other Fiscal Charges	58,052
Other Non-Operating Cash Disbursements	3,368
Total Non-Operating Cash Disbursements	114,606
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	6,538
Transfers-In	564
Net Receipts Over Disbursements	7,102
Fund Cash Balances, January 1	61,246
Fund Cash Balances, December 31	\$68,348
Reserve for Encumbrances, December 31	\$105

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, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. Cash and Investments

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

The Village values certificates of deposit at cost,

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF MALINTA
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

Income Tax Fund – This fund receives 1 per cent tax from residents and businesses of the Village. The Village distributes collections by transfer upon Council approval.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Other Capital Projects Fund – This fund revenue is used for capital improvements relating to the Village’s water utility.

4. Enterprise Funds

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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.

2. Estimated Resources

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

**VILLAGE OF MALINTA
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. RESTATEMENT OF FUND BALANCE

On January 1, 2005, the Village reclassified the Income Tax Fund from the General Fund to the Special Revenue Fund Type to better reflect the fund's purpose.

	General Fund	Special Revenue Fund Type
Fund Balance as previously reported, December 31, 2004	\$26,386	\$2,044
Reclassification of Income Tax Fund	(10,995)	10,995
Fund Balance as restated at January 1, 2005	\$ 15,391	\$13,039

3. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$194,271	\$160,637
Certificates of deposit	116,416	112,981
Total deposits	\$310,687	\$273,618

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

**VILLAGE OF MALINTA
HENRY COUNTY**

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

4. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,080	\$61,767	(\$2,313)
Special Revenue	78,225	75,477	(2,748)
Capital Projects	21,350	19,044	(2,306)
Enterprise	208,900	243,432	34,532
Total	\$372,555	\$399,720	\$27,165

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,995	\$53,857	\$18,138
Special Revenue	80,163	60,967	19,196
Capital Projects	100,626	18,079	82,547
Enterprise	582,605	229,748	352,857
Total	\$835,389	\$362,651	\$472,738

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,958	\$52,429	(\$12,529)
Special Revenue	77,525	74,085	(3,440)
Capital Projects	17,150	16,774	(376)
Enterprise	209,349	201,632	(7,717)
Total	\$368,982	\$344,920	(\$24,062)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,177	\$54,418	\$23,759
Special Revenue	79,403	49,138	30,265
Capital Projects	40,051	6,119	33,932
Enterprise	289,303	194,635	94,668
Total	\$486,934	\$304,310	\$182,624

**VILLAGE OF MALINTA
HENRY COUNTY**

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

5. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 1	\$829,316	7.00%
Ohio Water Development Authority Loan 2	340,000	4.92%

The Ohio Water Development Authority (OWDA) loan 1 relates to a water main line and tank expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,216,411 in loans to the Village for this project. The Village is responsible for this loan. However, the Village entered into a contract with the City of Napoleon and is receiving \$39,511 annually from the City toward the retirement of this debt. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 2 relates to wastewater system design project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$340,000 in loans to the Village for this project. The OWDA loans are expected to be paid off in 2012. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. An amortization schedule for future debt service payments is not available due to the project not being finalized.

**VILLAGE OF MALINTA
HENRY COUNTY**

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

7. DEBT – (CONTINUED)

Amortization of OWDA Loan 1, including interest, is scheduled as follows:

Year ending December 31:	<u>OWDA Loan 1</u>
2007	\$106,092
2008	106,515
2009	106,971
2010	107,462
2011	107,991
2012 – 2016	<u>493,590</u>
Total	<u><u>\$1,028,621</u></u>

8. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

9. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

VILLAGE OF MALINTA
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

9. RISK MANAGEMENT – (CONTINUED)

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available)

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Malinta, Henry County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 5, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Village reclassified its presentation of the Income Tax Fund. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 5, 2007.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 5, 2007

We intend this report solely for the information and use of management, and Village Council, We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 5, 2007

**VILLAGE OF MALINTA
HENRY COUNTY**

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

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

Material Weakness

Monitoring of Financial Transactions

Inaccurate posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

- OWDA loan proceeds in the amount of \$32,128 in 2006 was recorded as other financing sources.
- Nine different intergovernmental revenue transactions were not classified correctly in 2006 and 2005.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements have been adjusted so these transactions reflect their intended use.

We recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Officer's Handbook issued by the Auditor of State. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council to ensure that errors and omissions are detected and corrected.

Management's Response

We did not receive a response from officials to this finding.



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 8, 2007**