

**Village of Malvern**  
*Audited Financial Statements*

*December 31, 2007 and 2006*





# Mary Taylor, CPA

Auditor of State

Mayor & Members of Council  
Village of Malvern  
116 West Main Street  
P. O. Box 384  
Malvern, Ohio 44644

We have reviewed the *Independent Auditor's Report* of the Village of Malvern, Carroll County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA  
Auditor of State

March 23, 2009

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VILLAGE OF MALVERN  
CARROLL COUNTY

DECEMBER 31, 2007 AND 2006

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July 31, 2008

Mayor and Members of Council  
Village of Malvern  
Malvern, OH 44644

**Independent Auditor's Report**

We have audited the accompanying financial statements of the Village of Malvern (the "Village") as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position 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 Malvern, Carroll County, as of December 31, 2007 and 2006 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 July 31, 2008, 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* and should be considered in assessing the results of our audit.

*Rea & Associates, Inc.*



VILLAGE OF MALVERN  
CARROLL COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 202,761	\$ 21,860	\$ 0	\$ 0	\$ 224,621
Intergovernmental Revenue	38,514	63,844	0	0	102,358
Charges For Services	8,307	0	0	0	8,307
Fines, Licenses and Permits	23,297	0	0	0	23,297
Interest	42	0	0	0	42
Miscellaneous Revenue	5,277	5,948	0	0	11,225
<b>Total Cash Receipts</b>	<b>278,198</b>	<b>91,652</b>	<b>0</b>	<b>0</b>	<b>369,850</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	120,647	15,926	0	0	136,573
Public Health Services	6,991	0	0	0	6,991
Leisure Time Activities	34,456	1,775	0	0	36,231
Basic Utility Services	0	5,913	0	0	5,913
Transportation	0	58,711	0	134	58,845
General Government	96,192	511	0	0	96,703
<b>Debt Service:</b>					
Principal	11,700	0	0	0	11,700
Interest	2,956	0	0	0	2,956
<b>Total Cash Disbursements</b>	<b>272,942</b>	<b>82,836</b>	<b>0</b>	<b>134</b>	<b>355,912</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>5,256</b>	<b>8,816</b>	<b>0</b>	<b>(134)</b>	<b>13,938</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	550	0	0	0	550
Proceeds of Loans	14,300	0	0	0	14,300
<b>Total Other Financing Receipts (Disbursements)</b>	<b>14,850</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,850</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>20,106</b>	<b>8,816</b>	<b>0</b>	<b>(134)</b>	<b>28,788</b>
<b>FUND CASH BALANCES, January 1, 2007</b>	<b>6,940</b>	<b>43,603</b>	<b>1</b>	<b>144</b>	<b>50,688</b>
<b>FUND CASH BALANCES, December 31, 2007</b>	<b>\$ 27,046</b>	<b>\$ 52,419</b>	<b>\$ 1</b>	<b>\$ 10</b>	<b>\$ 79,476</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 5,312</b>	<b>\$ 2,815</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,128</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MALVERN  
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Enterprise Funds	Fiduciary Agency Fund
<b>OPERATING CASH RECEIPTS:</b>		
Charges for services	\$ 249,320	\$ 0
Miscellaneous	1,484	0
	<u>250,804</u>	<u>0</u>
<b>OPERATING CASH DISBURSEMENTS:</b>		
Personal services	77,209	0
Employee Fringe Benefits	26,115	0
Contractual services	30,561	0
Material and supplies	68,908	0
Other	6,859	0
	<u>209,652</u>	<u>0</u>
Total Operating Cash Disbursements		
Operating Income	41,152	0
<b>NON-OPERATING CASH RECEIPTS:</b>		
Other non-operating revenues	10,000	0
Interest	1,992	0
	<u>11,992</u>	<u>0</u>
Total Non-Operating Cash Receipts		
<b>NON-OPERATING CASH DISBURSEMENTS:</b>		
Debt service:		
Principal retirement	19,200	0
Interest and fiscal charges	63,072	0
	<u>82,272</u>	<u>0</u>
Total Non-operating Cash Disbursements		
Net Cash Receipts Under Cash Disbursements	(29,128)	0
FUND CASH BALANCES, January 1, 2007	<u>193,570</u>	<u>5</u>
FUND CASH BALANCES, December 31, 2007	<u>\$ 164,442</u>	<u>\$ 5</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 3,446</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MALVERN  
CARROLL 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

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 182,764	\$ 22,923	\$ 0	\$ 0	\$ 205,687
Intergovernmental Revenue	54,382	94,598	0	0	148,980
Charges For Services	8,254	0	0	12,485	20,739
Fines, Licenses and Permits	22,871	300	0	0	23,171
Interest	243	0	0	0	243
Miscellaneous	17,546	13,173	0	0	30,719
<b>Total Cash Receipts</b>	<b>286,060</b>	<b>130,994</b>	<b>0</b>	<b>12,485</b>	<b>429,539</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	142,700	20,587	0	0	163,287
Public Health Services	6,664	0	0	0	6,664
Leisure Time Activities	59,822	1,199	0	0	61,021
Transportation	0	90,232	0	34,313	124,545
General Government	127,431	457	0	0	127,888
<b>Debt Service:</b>					
Principal	2,351	0	0	0	2,351
Interest	109	0	0	0	109
<b>Total Cash Disbursements</b>	<b>339,077</b>	<b>112,475</b>	<b>0</b>	<b>34,313</b>	<b>485,865</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(53,017)</b>	<b>18,519</b>	<b>0</b>	<b>(21,828)</b>	<b>(56,326)</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	500	0	0	0	500
Transfers - In	15,752	6,750	0	21,972	44,474
Transfers - Out	(28,722)	(15,752)	0	0	(44,474)
Advances - In	30,000	0	0	0	30,000
<b>Total Other Financing Receipts (Disbursements)</b>	<b>17,530</b>	<b>(9,002)</b>	<b>0</b>	<b>21,972</b>	<b>30,500</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(35,487)</b>	<b>9,517</b>	<b>0</b>	<b>144</b>	<b>(25,826)</b>
<b>FUND CASH BALANCES, January 1, 2006</b>	<b>42,427</b>	<b>34,086</b>	<b>1</b>	<b>0</b>	<b>76,514</b>
<b>FUND CASH BALANCES, December 31, 2006</b>	<b>\$ 6,940</b>	<b>\$ 43,603</b>	<b>1</b>	<b>\$ 144</b>	<b>\$ 50,688</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 7,635</b>	<b>\$ 1,411</b>	<b>0</b>	<b>\$ 134</b>	<b>\$ 9,180</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MALVERN  
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary	Fiduciary
	Enterprise Fund	Agency Fund
<b>OPERATING CASH RECEIPTS:</b>		
Charges for services	\$ 269,042	\$ 0
Total Operating Cash Receipts	269,042	0
<b>OPERATING CASH DISBURSEMENTS:</b>		
Personal services	70,758	0
Employee Fringe Benefits	24,946	0
Contractual services	35,816	0
Material and supplies	82,167	0
Other	8,739	0
Total Operating Cash Disbursements	222,426	0
Operating Income	46,616	0
<b>NON-OPERATING CASH RECEIPTS:</b>		
Other Non-Operating Revenues	1,248	0
Interest	1,297	0
Total Non-Operating Cash Receipts	2,545	0
<b>NON-OPERATING CASH DISBURSEMENTS:</b>		
Debt service:		
Principal retirement	20,600	0
Interest and fiscal charges	61,805	0
Total Non-Operating Disbursements	82,405	0
Total Cash Receipts Under Cash Disbursements Before Interfund Advances	(33,244)	0
Advances-out	(30,000)	0
Net Cash Receipts Under Cash Disbursements	(63,244)	0
FUND CASH BALANCES, January 1, 2006	256,814	5
FUND CASH BALANCES, December 31, 2006	\$ 193,570	\$ 5
RESERVE FOR ENCUMBRANCES	\$ 16,160	\$ 0

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2007 and 2006**

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**NOTE 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 Malvern, Carroll County, (the "Village") as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

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

**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.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2007 and 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

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

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

**3. 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 Operating 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 (except certain agency funds) be budgeted annually.

**Appropriations**

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

**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.

**Encumbrances**

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

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2007 and 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**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.

**NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 243,919	\$ 244,258

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

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2007 and 2006**

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2007 and 2006 follows:

**2007 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$299,063	\$293,048	(\$6,015)
Special Revenue	147,749	91,652	(56,097)
Capital Projects	1,785	0	(1,785)
Enterprise	453,726	262,796	(190,930)
Total	<u>\$902,323</u>	<u>\$647,496</u>	<u>(\$254,827)</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$285,895	\$278,254	\$7,641
Special Revenue	95,679	85,651	10,028
Capital Projects	134	134	0
Enterprise	330,385	295,370	35,015
Total	<u>\$712,093</u>	<u>\$659,409</u>	<u>\$52,684</u>

**2006 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$364,774	\$302,312	(\$62,462)
Special Revenue	138,386	137,744	(642)
Capital Projects	14,188	34,457	20,269
Enterprise	560,246	271,587	(288,659)
Total	<u>\$1,077,594</u>	<u>\$746,100</u>	<u>(\$331,494)</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$381,694	\$375,434	\$6,260
Special Revenue	137,838	129,638	8,200
Capital Projects	34,457	34,447	10
Enterprise	321,167	320,991	176
Total	<u>\$875,156</u>	<u>\$860,510</u>	<u>\$14,646</u>



**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2007 and 2006**

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**NOTE 4 – PROPERTY TAXES**

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 are reflected in the financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**NOTE 5 – LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all income earned 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 are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

**NOTE 6 – DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
US Bank - Line of Credit	\$ 14,300	Variable
Water Fund to General Fund note	50,000	2.00%
Water System Mortgage Revenue Bond	<u>1,382,400</u>	4.50%
Total	<u>\$ 1,446,700</u>	

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2007 and 2006**

**NOTE 6 – DEBT (Continued)**

The US Bank Line of Credit was opened in November 2007 with a variable interest rate. The Village will begin paying on this in 2008. Payments will be made from the general fund.

The Water Fund issued a note to the General Fund in 2002 for \$60,000 at an interest rate of 2.0 percent to be repaid with General Fund revenues. The loan was entered into in December 2002 to be paid annually with excess General Fund monies. An additional \$30,000 was loaned to the General Fund from the Water Fund in 2006, which will also be paid back with excess General Fund monies. This debt is not reflected in the amortization schedule as no set payments have been established.

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

Amortization of the above debt, including interest follows:

Year	Water System Revenue Bond	Total
2008	\$ 20,200	\$ 20,200
2009	21,000	21,000
2010	22,000	22,000
2011	23,000	23,000
2012	24,000	24,000
2013-2017	137,200	137,200
2018-2022	171,000	171,000
2023-2027	213,200	213,200
2028-2032	265,600	265,600
2033-2037	331,000	331,000
2038-2040	154,200	154,200
	<u>\$ 1,382,400</u>	<u>\$ 1,382,400</u>

**NOTE 7 – RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed ten percent of their wages. The Village contributed an amount equal to 19.5 percent of participant's wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.85 and 13.70 percent respectively of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2007 and 2006**

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**NOTE 8 – RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage from the prior year.

**NOTE 9 – MALVERN COMMUNITY DEVELOPMENT FUND – COMPONENT UNIT**

The Malvern Community Development Fund (the “Fund”) is a legally separate foundation, served by a Board of Trustees, which includes six members of the Malvern Village Council, the Mayor of Malvern and the Manager of the Lake Mohawk Property Owner’s Association. The Malvern Fiscal Officer shall serve as a non-voting, ex officio member of the board and fills the roles of secretary and treasurer.

The Fund was formed for the following purposes: 1) to raise funds for the support of projects, equipment, services and facilities that benefit the Village of Malvern, Ohio and its residents, 2) to engage in activities that are exclusively for charitable purposes, and 3) to support research, education, and public information programs to promote economic growth and community services.

Based on the significant oversight, services and resources provided by the Village to the Fund and the Fund’s sole purpose of providing benefit to the Village of Malvern, the Fund is considered a component unit of the Village of Malvern. The Malvern Community Development Fund has a December 31<sup>st</sup> year end.

No financial information relating to the Fund is included in the Village of Malvern financial statements because it has not material to the Village.



July 31, 2008

Village Council  
Village of Malvern  
Malvern, OH 44644

Independent Auditor's Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Required by  
Government Auditing Standards

We have audited the financial statements of the Village of Malvern (the "Village") as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008, 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. 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.

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.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted one matter that we reported to the Village's management in a separate letter dated July 31, 2008.

Village of Malvern  
Independent Auditor's Report on Internal Control Over  
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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 effect on 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 July 31, 2008.

This report is intended for the information and use of Mayor, Council, and management and is not intended to be and should not be used by anyone other than these specific parties.

*Rea & Associates, Inc.*

VILLAGE OF MALVERN  
 CARROLL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) stating that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	Yes	



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MALVERN**

**CARROLL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 7, 2009**