



Dave Yost • Auditor of State

VILLAGE OF MALINTA
HENRY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Malinta, Henry County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Malinta, Henry County, Ohio as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 3, 2017

Village of Malinta, Ohio

Henry County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$6,435	\$1,826		\$8,261
Municipal Income Tax		63,018		63,018
Intergovernmental	12,179	11,707		23,886
Charges for Services	2,173			2,173
Fines, Licenses and Permits	125			125
Earnings on Investments	618			618
Miscellaneous	1,601			1,601
<i>Total Cash Receipts</i>	<u>23,131</u>	<u>76,551</u>		<u>99,682</u>
Cash Disbursements				
Current:				
Security of Persons and Property	7,979			7,979
Leisure Time Activities	2,741			2,741
Community Environment	1,011			1,011
Basic Utility Services	3,051			3,051
Transportation	2,887	12,472		15,359
General Government	53,425	2,217		55,642
Capital Outlay	152		\$2,224	2,376
Debt Service:				
Principal Retirement			730	730
<i>Total Cash Disbursements</i>	<u>71,246</u>	<u>14,689</u>	<u>2,954</u>	<u>88,889</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(48,115)</u>	<u>61,862</u>	<u>(2,954)</u>	<u>10,793</u>
Other Financing Receipts (Disbursements)				
Transfers In	37,800		16,200	54,000
Transfers Out		(54,000)		(54,000)
Other Financing Sources	91			91
Other Financing Uses	(610)			(610)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>37,281</u>	<u>(54,000)</u>	<u>16,200</u>	<u>(519)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,834)</u>	<u>7,862</u>	<u>13,246</u>	<u>10,274</u>
<i>Fund Cash Balances, January 1</i>	<u>40,467</u>	<u>13,214</u>	<u>163,903</u>	<u>217,584</u>
Fund Cash Balances, December 31				
Restricted		5,775		5,775
Committed		15,301	177,149	192,450
Assigned	29,589			29,589
Unassigned	44			44
<i>Fund Cash Balances, December 31</i>	<u>\$29,633</u>	<u>\$21,076</u>	<u>\$177,149</u>	<u>\$227,858</u>

See accompanying notes to the financial statements

Village of Malinta, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$294,648</u>
Operating Cash Disbursements	
Personal Services	27,891
Employee Fringe Benefits	3,078
Contractual Services	93,350
Supplies and Materials	11,319
Other	<u>1,850</u>
<i>Total Operating Cash Disbursements</i>	<u>137,488</u>
<i>Operating Income</i>	<u>157,160</u>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(22,510)
Principal Retirement	(66,852)
Interest and Other Fiscal Charges	(49,732)
Other Financing Sources	<u>20,837</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(118,257)</u>
<i>Net Change in Fund Cash Balances</i>	38,903
<i>Fund Cash Balances, January 1</i>	<u>427,030</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$465,933</u></u>

See accompanying notes to the financial statements

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

State Highway The state highway fund accounts for and reports that portion of the gas tax and motor vehicle tax money for maintaining state highways within the Village.

Income Tax Fund The income tax fund accounts for the 1 percent municipal income tax levied on 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.

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Permissive Motor Vehicle License Fund The permissive motor vehicle license fund receives permissive tax revenue for constructing, maintaining and repairing roads in the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Other Capital Projects Fund The other capital projects fund receives municipal income tax revenue for capital improvements within the Village.

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

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values certificates of deposit at cost.

Capital Assets

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

Fund Balance

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

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

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

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

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

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

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

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,269	\$61,022	\$753
Special Revenue	70,500	76,551	6,051
Capital Projects	16,800	16,200	(600)
Enterprise	316,337	315,485	(852)
Total	\$463,906	\$469,258	\$5,352

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,315	\$72,710	\$19,605
Special Revenue	75,200	69,048	6,152
Capital Projects	78,775	2,954	75,821
Enterprise	410,932	278,194	132,738
Total	\$657,222	\$422,906	\$234,316

Note 4 – Deposits

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

Demand deposits	2016 \$554,496
Certificates of deposit	133,200
Other time deposits (savings and NOW accounts)	6,095
Total deposits	\$693,791

Deposits

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50 percent of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 10 percent of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8- Postemployment Benefits

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

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
U.S. Department of Agriculture Loan	\$1,178,500	4.125%
Ohio Public Works Commission Loan #CE38R	21,156	0%
Total	\$1,199,656	

The U.S. Department of Agriculture (USDA) Loan in the amount of \$1,235,000 was accepted on July 5, 2011. The loan paid off the Ohio Water Development Authority (OWDA) Loan #5311. The loan relates to the wastewater system design project the Ohio Environmental Protection Agency mandated. A covenant for this loan requires the Village to establish and fund a debt service fund, which is included as an enterprise fund. The balance in the fund at December 31, 2016 is \$65,000.

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Ohio Public Works Commission (OPWC) Loan #CE38R relates to Phase 2 of the storm water improvement project. The OPWC has approved \$21,885 in interest free loans to the Village for this project. The loans will be repaid in semiannual installments of \$365 over 30 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

Year ending December 31:	USDA Loan	OPWC Loan #CE38R
2017	\$64,213	\$365
2018	64,170	730
2019	64,201	730
2020	64,304	730
2021	64,174	730
2022-2026	321,084	3,648
2027-2031	321,055	3,648
2032-2036	321,130	3,648
2037-2041	321,128	3,648
2042-2046	321,038	3,279
2047-2051	321,105	
Total	\$2,247,602	\$21,156

Note 10 – Interfund Transfers

During the year, the following transfers in and out occurred:

Opinion Unit - Fund	Transfers In	Transfers Out
General Fund	\$37,800	
Special Revenue - Income Tax Fund		\$54,000
Capital Projects - Other Capital Projects Fund	16,200	
Totals	\$54,000	\$54,000

Transfers were made from the Income Tax Fund in accordance with the Village’s income tax ordinance.

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Village of Malinta, Ohio

Henry County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$6,008	\$2,014		\$8,022
Municipal Income Tax		58,458		58,458
Intergovernmental	10,654	11,414	\$120,260	142,328
Charges for Services	2,803			2,803
Fines, Licenses and Permits	530			530
Earnings on Investments	606			606
Miscellaneous	2,639	74		2,713
<i>Total Cash Receipts</i>	<u>23,240</u>	<u>71,960</u>	<u>120,260</u>	<u>215,460</u>
Cash Disbursements				
Current:				
Security of Persons and Property	7,709			7,709
Leisure Time Activities	2,970			2,970
Community Environment	900			900
Basic Utility Services	2,403			2,403
Transportation	4,536	12,636		17,172
General Government	58,874	2,362		61,236
Capital Outlay	500		181,074	181,574
<i>Total Cash Disbursements</i>	<u>77,892</u>	<u>14,998</u>	<u>181,074</u>	<u>273,964</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,652)</u>	<u>56,962</u>	<u>(60,814)</u>	<u>(58,504)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds			21,885	21,885
Transfers In	37,800		16,200	54,000
Transfers Out		(54,000)		(54,000)
Advances In	22,280		22,280	
Advances Out	(22,280)		(22,280)	
Other Financing Sources	58			58
Other Financing Uses	(50)			(50)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>37,808</u>	<u>(54,000)</u>	<u>38,085</u>	<u>21,893</u>
<i>Net Change in Fund Cash Balances</i>	<u>(16,844)</u>	<u>2,962</u>	<u>(22,729)</u>	<u>(36,611)</u>
<i>Fund Cash Balances, January 1</i>	<u>57,311</u>	<u>10,252</u>	<u>186,632</u>	<u>254,195</u>
Fund Cash Balances, December 31				
Restricted		4,714		4,714
Committed		8,500	163,903	172,403
Assigned	32,618			32,618
Unassigned	7,849			7,849
<i>Fund Cash Balances, December 31</i>	<u>\$40,467</u>	<u>\$13,214</u>	<u>\$163,903</u>	<u>\$217,584</u>

See accompanying notes to the financial statements

Village of Malinta, Ohio

Henry County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

Proprietary Fund Type

For the Year Ended December 31, 2015

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$317,939</u>
Operating Cash Disbursements	
Personal Services	27,558
Employee Fringe Benefits	2,995
Contractual Services	98,394
Supplies and Materials	7,023
Other	<u>1,007</u>
<i>Total Operating Cash Disbursements</i>	<u>136,977</u>
<i>Operating Income</i>	<u>180,962</u>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(3,579)
Principal Retirement	(114,328)
Interest and Other Fiscal Charges	(60,451)
Other Financing Sources	<u>41,537</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(136,821)</u>
<i>Net Change in Fund Cash Balances</i>	44,141
<i>Fund Cash Balances, January 1</i>	<u>382,889</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$427,030</u></u>

See accompanying notes to the financial statements

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

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

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

State Highway The state highway fund accounts for and reports that portion of the gas tax and motor vehicle tax money for maintaining state highways within the Village.

Income Tax Fund The income tax fund accounts for the 1 percent municipal income tax levied on 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.

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Permissive Motor Vehicle License Fund The permissive motor vehicle license fund receives permissive tax revenue for constructing, maintaining and repairing roads in the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Other Capital Projects Fund The other capital projects fund receives municipal income tax revenue for capital improvements within the Village.

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

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values certificates of deposit at cost.

Capital Assets

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

Fund Balance

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

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

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

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

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

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

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

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,710	\$61,098	(\$3,612)
Special Revenue	71,750	71,960	210
Capital Projects	293,900	158,345	(135,555)
Enterprise	349,790	359,476	9,686
Total	\$780,150	\$650,879	(\$129,271)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,966	\$78,514	\$21,452
Special Revenue	75,721	69,276	6,445
Capital Projects	385,065	181,074	203,991
Enterprise	474,267	316,772	157,495
Total	\$1,035,019	\$645,636	\$389,383

Note 4 – Deposits

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

	2015
Demand deposits	\$505,657
Certificates of deposit	132,866
Other time deposits (savings and NOW accounts)	6,091
Total deposits	\$644,614

Deposits

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50 percent of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 10 percent of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8- Postemployment Benefits

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

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #1711	\$51,851	7.0%
U.S. Department of Agriculture Loan	1,193,500	4.125%
Total	\$1,245,351	

The Ohio Water Development Authority (OWDA) Loan #1711 relates to a water main line and tank expansion project the Ohio Environmental Protection Agency mandated. The OWDAL approved up to \$1,216,408 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 \$39,861 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.

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

The U.S. Department of Agriculture (USDA) Loan in the amount of \$1,235,000 was accepted on July 5, 2011. The loan paid off the Ohio Water Development Authority (OWDA) Loan #5311. The loan relates to the wastewater system design project the Ohio Environmental Protection Agency mandated. A covenant for this loan requires the Village to establish and fund a debt service fund, which is included as an enterprise fund. The balance in the fund at December 31, 2015 is \$65,000.

Amortization

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

Year ending December 31:	OWDA Loan #1711	USDA Loan
2016	\$55,461	\$64,232
2017		64,213
2018		64,170
2019		64,201
2020		64,304
2021-2025		321,092
2026-2030		321,084
2031-2035		321,084
2036-2040		321,060
2041-2045		321,058
2046-2050		321,091
2051		64,245
Total	\$55,461	\$2,311,834

Note 10 – Interfund Transfers

During the year, the following transfers in and out occurred:

Opinion Unit - Fund	Transfers In	Transfers Out
General Fund	\$37,800	
Special Revenue - Income Tax Fund		\$54,000
Capital Projects - Other Capital Projects Fund	16,200	
Totals	\$54,000	\$54,000

Transfers were made from the Income Tax Fund in accordance with the Village’s income tax ordinance.

Note 11 - Interfund Advances

During the year, the following advances in and out occurred:

Village of Malinta, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Opinion Unit - Fund	Advances In	Advances Out
General Fund	\$ 22,280	\$ 22,280
Capital Projects - Permissive Tax Capital Improvement	22,280	22,280
Totals	<u>\$ 44,560</u>	<u>\$ 44,560</u>

Amounts were advanced from the General Fund to the Permissive Tax Capital Improvement fund to cover costs prior to receiving a grant receipt. Advances were repaid during 2015.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 North Turkeyfoot Avenue
P.O. Box 69
Malinta, Ohio 43535-0069

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Malinta, Henry County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated August 3, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

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

noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dave Yost
Auditor of State

Columbus, Ohio

August 3, 2017

**VILLAGE OF MALINTA
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Budgeted Amounts

Estimated receipts and appropriations budgeted by Council and approved by the Budget Commission should agree to the estimated resources and appropriations posted to the Uniform Accounting Network (UAN) accounting system and used in the Village's Budget vs. Actual footnote. In addition, actual disbursements should include amounts encumbered at year end.

As of December 31, 2015, budgeted receipts recorded in the UAN accounting system and used in the Village's Budget vs. Actual footnote did not agree to the final amended certificate of estimated resources for the General Fund and Capital Projects by (\$400) and \$83,931, respectively.

We also noted actual disbursements did not include encumbrances of \$854, \$359, and \$1,612 at December 31, 2016 for the General Fund, Special Revenue, and Capital Projects, respectively.

These errors were a result of inadequate policies and procedures in reviewing budgetary information and the related budgetary footnotes. Using inaccurate information could lead to Council making misinformed decisions.

We recommend the Fiscal Officer reconcile estimated receipts in the UAN accounting system to the official certificate of estimated resources certified by the Budget Commission in order to ensure their accuracy. In addition, we recommend accurate amounts be input into the Budget vs. Actual footnote at year end, which includes outstanding encumbrances as part of actual disbursements.

Officials' Response:

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

FINDING NUMBER 2016-002

Material Weakness

Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a

budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. Additionally, amounts encumbered at year end should be classified as assigned within the general fund.

The 2017 and 2016 annual appropriation measures for the General fund exceeded estimated receipts by \$28,735 and \$32,046, respectively. A portion of the General fund balance was needed to cover the difference. These amounts should have been classified as assigned instead of unassigned. Additionally, encumbrances outstanding at year end of \$854 and \$572 for 2016 and 2015, respectively, were not properly classified as assigned.

Failure to properly classify these amounts as assigned caused unassigned fund balance to be overstated and lead to an inaccurate representation of balances at year end.

These errors occurred due to inadequate policies and procedures in reviewing the financial statements for compliance with GASB 54. The accompanying financial statements have been adjusted to correct these errors.

To help ensure the Village's fund balances are reported in accordance with GASB 54, we recommend Board complete a final review of the financial statements to help identify and correct errors and omissions. In addition, the Fiscal Officer should review Auditor of State Bulletin 2011-004 for guidance on GASB 54.

Officials' Response:

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness over fund balance classification due to errors in reporting assigned fund balance within the general fund.	Not corrected and repeated as Finding 2016-002 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements for compliance with GASB 54. The Village is implementing procedures to correct these errors for the future.
2014-002	Finding was first issued in the 2005-2006 audit. Material weakness over financial reporting due to material audit adjustments.	Fully corrected.	

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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
AUGUST 17, 2017