

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

*December 31, 2009 and 2008*





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Malvern  
PO 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, 2008 through December 31, 2009. 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

June 16, 2010

**This Page is Intentionally Left Blank.**

**Village of Malvern  
CARROLL COUNTY  
December 31, 2009 and December 31, 2008**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Types for the Year Ended December 31, 2009 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Types for the Year Ended December 31, 2008 .....	6
Notes to the Financial Statements.....	7-15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	16-17



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

April 30, 2010

Village of Malvern  
116 West Main St.  
Malvern, OH 44644

## Independent Auditor's Report

To the Board of Trustees:

We have audited the accompanying financial statements of the Village of Malvern, Carroll County, (the Village) as of and for the years ended December 31, 2009 and 2008, 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 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, 2009 and 2008 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, 2009 and 2008, 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, as of December 31, 2009 and 2008, 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 April 30, 2010, 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.

*Hea & 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, 2009

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 181,754	\$ 17,917	\$ 0	\$ 0	\$ 199,671
Intergovernmental Revenue	38,905	76,845	0	0	115,750
Charges For Services	6,939	0	0	0	6,939
Fines, Licenses and Permits	11,740	0	0	0	11,740
Interest	19	0	0	0	19
Miscellaneous	10,279	10,055	0	0	20,334
<b>Total Cash Receipts</b>	<b>249,636</b>	<b>104,817</b>	<b>0</b>	<b>0</b>	<b>354,453</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	19,775	31,774	0	0	51,549
Public Health Services	7,417	0	0	0	7,417
Leisure Time Activities	37,266	0	0	0	37,266
Transportation	0	97,898	0	0	97,898
General Government	126,501	9,744	0	0	136,245
Capital Outlay	0	30,702	0	0	30,702
<b>Debt Service:</b>					
Principal	20,000	299	0	0	20,299
Interest	600	73	0	0	673
<b>Total Cash Disbursements</b>	<b>211,559</b>	<b>170,490</b>	<b>0</b>	<b>0</b>	<b>382,049</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>38,077</b>	<b>(65,673)</b>	<b>0</b>	<b>0</b>	<b>(27,596)</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	200	2,168	0	0	2,368
Proceeds of Loan	0	20,000	0	0	20,000
Transfers - In	0	14,815	0	0	14,815
Transfers - Out	(14,815)	0	0	0	(14,815)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(14,615)</b>	<b>36,983</b>	<b>0</b>	<b>0</b>	<b>22,368</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>23,462</b>	<b>(28,690)</b>	<b>0</b>	<b>0</b>	<b>(5,228)</b>
<b>FUND CASH BALANCES, January 1, 2009</b>	<b>37,112</b>	<b>59,915</b>	<b>1</b>	<b>10</b>	<b>97,038</b>
<b>FUND CASH BALANCES, December 31, 2009</b>	<b>\$ 60,574</b>	<b>\$ 31,225</b>	<b>\$ 1</b>	<b>\$ 10</b>	<b>\$ 91,810</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 3,894</b>	<b>\$ 1,881</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,775</b>

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 - PROPRIETARY FUND TYPE  
AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary	Fiduciary
	Enterprise Funds	Agency Fund
<b>OPERATING CASH RECEIPTS:</b>		
Charges for services	\$ 256,275	\$ 0
Miscellaneous	10,472	0
	<u>266,747</u>	<u>0</u>
<b>Total Operating Cash Receipts</b>	<b>266,747</b>	<b>0</b>
<b>OPERATING CASH DISBURSEMENTS:</b>		
Personal services	61,032	0
Employee Fringe Benefits	17,563	0
Contractual services	26,291	0
Material and supplies	59,338	0
Capital Outlay	20,000	0
Other	156	0
	<u>184,380</u>	<u>0</u>
<b>Total Operating Cash Disbursements</b>	<b>184,380</b>	<b>0</b>
<b>Operating Income</b>	<b>82,367</b>	<b>0</b>
<b>NON-OPERATING CASH RECEIPTS:</b>		
Loan Proceeds	20,000	0
Redemption of Principal From General Fund	20,000	0
Interest	674	0
	<u>40,674</u>	<u>0</u>
<b>Total Non-Operating Cash Receipts</b>	<b>40,674</b>	<b>0</b>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>		
Debt service:		
Principal retirement	21,299	0
Interest and fiscal charges	61,372	0
Other non-operating cash disbursements	10,702	0
	<u>93,373</u>	<u>0</u>
<b>Total Non-operating Cash Disbursements</b>	<b>93,373</b>	<b>0</b>
<b>Net Cash Receipts Over Cash Disbursements</b>	<b>29,668</b>	<b>0</b>
<b>FUND CASH BALANCES, January 1, 2009</b>	<b>188,397</b>	<b>5</b>
<b>FUND CASH BALANCES, December 31, 2009</b>	<b>\$ 218,065</b>	<b>\$ 5</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 1,155</b>	<b>\$ 0</b>

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, 2008

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
<b>CASH RECEIPTS:</b>					
Taxes	\$ 192,178	\$ 18,553	\$ 0	\$ 0	\$ 210,731
Intergovernmental Revenue	53,161	66,325	0	0	119,486
Charges For Services	11,887	0	0	0	11,887
Fines, Licenses and Permits	10,184	0	0	0	10,184
Interest	50	0	0	0	50
Miscellaneous	2,139	2,472	0	0	4,611
<b>Total Cash Receipts</b>	<b>269,599</b>	<b>87,350</b>	<b>0</b>	<b>0</b>	<b>356,949</b>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of Persons	44,842	14,970	0	0	59,812
Public Health Services	6,991	0	0	0	6,991
Leisure Time Activities	47,290	0	0	0	47,290
Transportation	0	75,326	0	0	75,326
General Government	113,873	558	0	0	114,431
<b>Debt Service:</b>					
Principal	34,300	0	0	0	34,300
Interest	1,287	0	0	0	1,287
<b>Total Cash Disbursements</b>	<b>248,583</b>	<b>90,854</b>	<b>0</b>	<b>0</b>	<b>339,437</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>21,016</b>	<b>(3,504)</b>	<b>0</b>	<b>0</b>	<b>17,512</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>					
Sale of Fixed Assets	50	0	0	0	50
Transfers - In	0	11,000	0	0	11,000
Transfers - Out	(11,000)	0	0	0	(11,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(10,950)</b>	<b>11,000</b>	<b>0</b>	<b>0</b>	<b>50</b>
<b>Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>10,066</b>	<b>7,496</b>	<b>0</b>	<b>0</b>	<b>17,562</b>
<b>FUND CASH BALANCES, January 1, 2008</b>	<b>27,046</b>	<b>52,419</b>	<b>1</b>	<b>10</b>	<b>79,476</b>
<b>FUND CASH BALANCES, December 31, 2008</b>	<b>\$ 37,112</b>	<b>\$ 59,915</b>	<b>\$ 1</b>	<b>\$ 10</b>	<b>\$ 97,038</b>
<b>RESERVE FOR ENCUMBRANCES</b>	<b>\$ 2,770</b>	<b>\$ 1,660</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,430</b>

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 - PROPRIETARY FUND TYPE  
AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary	Fiduciary
	Enterprise Fund	Agency Fund
<b>OPERATING CASH RECEIPTS:</b>		
Charges for services	\$ 234,126	\$ 0
Miscellaneous	3,260	0
	<u>237,386</u>	<u>0</u>
<b>Total Operating Cash Receipts</b>		
<b>OPERATING CASH DISBURSEMENTS:</b>		
Personal services	57,631	0
Employee Fringe Benefits	22,039	0
Contractual services	29,630	0
Material and supplies	45,039	0
Other	68	0
	<u>154,407</u>	<u>0</u>
<b>Total Operating Cash Disbursements</b>		
Operating Income (Loss)	82,979	0
<b>NON-OPERATING CASH RECEIPTS:</b>		
Redemption of Principal From General Fund	20,000	0
Interest	3,384	0
	<u>23,384</u>	<u>0</u>
<b>Total Non-Operating Cash Receipts</b>		
<b>NON-OPERATING CASH DISBURSEMENTS:</b>		
Debt service:		
Principal retirement	20,200	0
Interest and fiscal charges	62,208	0
	<u>82,408</u>	<u>0</u>
<b>Total Non-Operating Disbursements</b>		
Net Cash Receipts Over Cash Disbursements	23,955	0
FUND CASH BALANCES, January 1, 2008	<u>164,442</u>	<u>5</u>
FUND CASH BALANCES, December 31, 2008	<u>\$ 188,397</u>	<u>\$ 5</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 1,079</u>	<u>\$ 0</u>

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

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

---

**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 utility and park operations. 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, 2009 and 2008**

---

**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. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

***Fire Truck Payment Fund*** – This fund paid the debt for the Village's fire truck.

**4. 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 fund:

***Other Capital Projects Fund*** – This fund accounted for various capital projects within the Village.

**5. 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.

**6. Agency Funds**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Fund:

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

---

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

***Other Agency Fund*** – This fund received money from an Insurance Company. The company insured a house in the Village that sustained substantial damage. The money was used for the demolition of the house.

**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, function, personal services and other 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.

A summary of 2009 and 2008 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.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

---

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

**H. Miscellaneous Revenue**

In certain circumstances, the Village receives insurance payments for damages to Village property. The accompanying financial statements are reporting \$9,199 in insurance payments.

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>2008</u>	<u>2009</u>
Demand deposits	\$ 285,435	\$ 309,875

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

*This space is intentionally blank.*

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2009 and 2008 follows:

**2009 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$293,332	\$249,836	(\$43,496)
Special Revenue	167,689	141,800	(25,889)
Capital Projects	10	0	(10)
Enterprise	451,603	287,421	(164,182)
Total	<u>\$912,634</u>	<u>\$679,057</u>	<u>(\$233,577)</u>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$232,852	\$230,268	\$2,584
Special Revenue	186,586	172,371	14,215
Capital Projects	0	0	0
Enterprise	283,825	278,908	4,917
Total	<u>\$703,263</u>	<u>\$681,547</u>	<u>\$21,716</u>

**2008 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$304,004	\$269,649	(\$34,355)
Special Revenue	139,112	98,350	(40,762)
Capital Projects	10	0	(10)
Enterprise	400,710	260,770	(139,940)
Total	<u>\$843,836</u>	<u>\$628,769</u>	<u>(\$215,067)</u>

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$282,299	\$262,353	\$19,946
Special Revenue	102,215	92,514	9,701
Capital Projects	0	0	0
Enterprise	242,446	237,894	4,552
Total	<u>\$626,960</u>	<u>\$592,761</u>	<u>\$34,199</u>

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

---

**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.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

**NOTE 6: DEBT**

The Village's debt activity, including amount outstanding, interest rate, and the purpose for which the debt was issued is as follows:

	Outstanding 01/01/08	Additions	Reductions	Outstanding 12/31/08
Variable% Consumer's Bank - Line of Credit	\$ 14,300	\$ -	\$ 14,300	\$ -
2.00% Water Fund to General Fund Note	50,000	-	20,000	30,000
4.50% Water System Mortgage Revenue Bond	1,382,400	-	20,200	1,362,200
	<u>\$ 1,446,700</u>	<u>\$ -</u>	<u>\$ 54,500</u>	<u>\$ 1,392,200</u>
	Outstanding 01/01/09	Additions	Reductions	Outstanding 12/31/09
2.00% Water Fund to General Fund Note	\$ 30,000	\$ -	\$ 20,000	\$ 10,000
4.50% Water System Mortgage Revenue Bond	1,362,200	-	21,000	1,341,200
4.40% Consumer's Bank - Dump Truck Note	0	40,000	598	39,402
	<u>\$ 1,392,200</u>	<u>\$ 40,000</u>	<u>\$ 41,598</u>	<u>\$ 1,390,602</u>

The Consumers Bank Line of Credit was opened in November 2007 with a variable interest rate. The Village began paying on this in 2008. Payments are 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.

The Dump Truck Note was issued for \$40,000 at an interest rate of 4.40 percent. The note was entered into on November 18, 2009 for a period of 5 years.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

**NOTE 6 – DEBT (Continued)**

Amortization of the above debt is as follows:

Year	Water System Revenue Bond	Dump Truck Note	Total
2010	\$ 22,000	\$ 7,331	\$ 29,331
2011	23,000	7,665	30,665
2012	24,000	8,011	32,011
2013	25,100	8,379	33,479
2014	26,200	8,016	34,216
2015-2019	149,800	0	149,800
2020-2024	186,800	0	186,800
2025-2029	232,800	0	232,800
2030-2034	290,000	0	290,000
2035-2039	361,500	0	361,500
	\$ 1,341,200	\$ 39,402	\$ 1,380,602

**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 2009 and 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 24 percent of participant's wages. OPERS members contributed 10 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**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.

**VILLAGE OF MALVERN, OHIO  
CARROLL COUNTY**

**Notes to the Financial Statements  
December 31, 2009 and 2008**

---

**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 was not material to the Village.



**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

April 30, 2010

Village of Malvern  
116 West Main St.  
Malvern, OH 44644

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

To the Village Council:

We have audited the financial statements of the Village of Malvern, Carroll County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 30, 2010, wherein we noted the Village followed 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we did note certain matters that we reported to the Village's management in a separate letter dated April 30, 2010.

#### **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*.

However, we did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated April 30, 2010.

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.

*Hea & Associates, Inc.*



**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  
JUNE 29, 2010**