



Dave Yost • Auditor of State

VILLAGE OF MALINTA
HENRY COUNTY

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Dave Yost • Auditor of State

Village of Malinta
Henry County
P.O. Box 69
Malinta, Ohio 43535-0069

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 21, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Malinta
Henry County
P.O. Box 69
Malinta, Ohio 43535-0069

To the Village Council:

We have audited the accompanying financial statements of the Village of Malinta, Henry County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable 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 of the Village of Malinta, Henry County, as of December 31, 2010 and 2009, 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 July 21, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. This schedule was subjected to the auditing procedures we applied in the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Dave Yost
Auditor of State

July 21, 2011

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$6,231	\$2,093		\$8,324
Municipal Income Tax		57,789		57,789
Intergovernmental	13,209	12,500		25,709
Charges for Services			\$200	200
Fines, Licenses and Permits	1,760			1,760
Earnings on Investments	2,537	12		2,549
Miscellaneous	200	359		559
	<u>23,937</u>	<u>72,753</u>	<u>200</u>	<u>96,890</u>
Total Cash Receipts				
	<u>23,937</u>	<u>72,753</u>	<u>200</u>	<u>96,890</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	7,771			7,771
Leisure Time Activities	3,331			3,331
Community Environment	750			750
Basic Utility Service	1,900			1,900
Transportation		14,560		14,560
General Government	43,303	2,563		45,866
Capital Outlay	745			745
	<u>57,800</u>	<u>17,123</u>		<u>74,923</u>
Total Cash Disbursements				
	<u>57,800</u>	<u>17,123</u>		<u>74,923</u>
Total Receipts Over/(Under) Disbursements	<u>(33,863)</u>	<u>55,630</u>	<u>200</u>	<u>21,967</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	35,000		15,000	50,000
Transfers-Out		(50,000)		(50,000)
Other Financing Uses	(435)			(435)
	<u>34,565</u>	<u>(50,000)</u>	<u>15,000</u>	<u>(435)</u>
Total Other Financing Receipts / (Disbursements)				
	<u>34,565</u>	<u>(50,000)</u>	<u>15,000</u>	<u>(435)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>702</u>	<u>5,630</u>	<u>15,200</u>	<u>21,532</u>
Fund Cash Balances, January 1	<u>38,598</u>	<u>42,279</u>	<u>173,287</u>	<u>254,164</u>
Fund Cash Balances, December 31	<u><u>\$39,300</u></u>	<u><u>\$47,909</u></u>	<u><u>\$188,487</u></u>	<u><u>\$275,696</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$192,292
Miscellaneous	447
	192,739
Total Operating Cash Receipts	192,739
Operating Cash Disbursements:	
Personal Services	18,889
Employee Fringe Benefits	2,849
Contractual Services	348,170
Supplies and Materials	412
Claims	2,361
	372,681
Total Operating Cash Disbursements	372,681
Operating Loss	(179,942)
Non-Operating Cash Receipts:	
Intergovernmental	2,337,301
Loan Proceeds	874,522
Other Non-Operating Cash Receipts	40,375
	3,252,198
Total Non-Operating Cash Receipts	3,252,198
Non-Operating Cash Disbursements:	
Capital Outlay	2,896,574
Redemption of Principal	68,739
Interest and Other Fiscal Charges	38,722
	3,004,035
Total Non-Operating Cash Disbursements	3,004,035
Net Receipts Over Disbursements	68,221
Fund Cash Balances, January 1	83,334
Fund Cash Balances, December 31	\$151,555

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$7,355	\$1,435		\$8,790
Municipal Income Tax		63,053		63,053
Intergovernmental	11,672	13,219		24,891
Charges for Services			\$200	200
Fines, Licenses and Permits	5,097			5,097
Earnings on Investments	3,867	26		3,893
Miscellaneous	577	75		652
	<u>28,568</u>	<u>77,808</u>	<u>200</u>	<u>106,576</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	11,970			11,970
Leisure Time Activities	2,755			2,755
Community Environment	750			750
Basic Utility Service	2,043			2,043
Transportation		19,298		19,298
General Government	47,926	1,813		49,739
Capital Outlay	150	500	10,043	10,693
	<u>65,594</u>	<u>21,611</u>	<u>10,043</u>	<u>97,248</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(37,026)</u>	<u>56,197</u>	<u>(9,843)</u>	<u>9,328</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	49,000		22,889	71,889
Transfers-Out	(3,889)	(70,000)		(73,889)
Other Financing Sources	1,360			1,360
Other Financing Uses	(532)			(532)
	<u>45,939</u>	<u>(70,000)</u>	<u>22,889</u>	<u>(1,172)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	8,913	(13,803)	13,046	8,156
Fund Cash Balances, January 1	<u>29,685</u>	<u>56,082</u>	<u>160,241</u>	<u>246,008</u>
Fund Cash Balances, December 31	<u><u>\$38,598</u></u>	<u><u>\$42,279</u></u>	<u><u>\$173,287</u></u>	<u><u>\$254,164</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MALINTA
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$200,216
Miscellaneous	2,495
	<u>202,711</u>
Operating Cash Disbursements:	
Personal Services	15,608
Employee Fringe Benefits	2,935
Contractual Services	162,081
Supplies and Materials	1,454
Other	811
	<u>182,889</u>
Total Operating Cash Disbursements	<u>182,889</u>
Operating Income	<u>19,822</u>
Non-Operating Cash Receipts:	
Loan Proceeds	489,928
Other Non-Operating Cash Receipts	40,190
	<u>530,118</u>
Total Non-Operating Cash Receipts	<u>530,118</u>
Non-Operating Cash Disbursements:	
Capital Outlay	70,417
Redemption of Principal	442,081
Interest and Other Fiscal Charges	43,188
Other Non-Operating Cash Disbursements	500
	<u>556,186</u>
Total Non-Operating Cash Disbursements	<u>556,186</u>
Excess of Disbursements Over Receipts Before Interfund Transfers	(6,246)
Transfers-In	2,000
	<u>2,000</u>
Net Disbursements Over Receipts	(4,246)
Fund Cash Balances, January 1	<u>87,580</u>
Fund Cash Balances, December 31	<u>\$83,334</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. Capital Project Funds

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

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

4. Enterprise Funds

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

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

Sanitary Sewer Construction Fund - This fund receives proceeds of loans and grants from the Ohio Water Development Agency, the Ohio Public Works Commission, and the United States Department of Agriculture. The proceeds are being used to construct a new sanitary sewer system.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 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.

2. Equity in Pooled 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:

	2010	2009
Demand deposits	\$290,819	\$202,778
Certificates of deposit	136,432	134,720
Total deposits	\$427,251	\$337,498

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,038	\$58,937	(\$25,101)
Special Revenue	80,275	72,753	(7,522)
Capital Projects	23,600	15,200	(8,400)
Enterprise	4,325,361	3,444,937	(880,424)
Total	\$4,513,274	\$3,591,827	(\$921,447)

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,980	\$58,235	\$34,745
Special Revenue	103,975	67,123	36,852
Capital Projects	92,575		92,575
Enterprise	3,412,547	3,376,716	35,831
Total	\$3,702,077	\$3,502,074	\$200,003

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,582	\$78,928	(\$654)
Special Revenue	79,840	77,808	(2,032)
Capital Projects	23,600	23,089	(511)
Enterprise	559,352	734,829	175,477
Total	\$742,374	\$914,654	\$172,280

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,725	\$70,015	\$19,710
Special Revenue	108,325	91,611	16,714
Capital Projects	92,575	10,043	82,532
Enterprise	1,048,175	739,075	309,100
Total	\$1,338,800	\$910,744	\$428,056

4. Property Tax

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

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

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

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

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Local Income Tax

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.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #1711	\$484,455	7.77%
Ohio Water Development Authority Loan #5311	1,249,545	1.60%
Total	\$1,734,000	

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 OWDA approved up to \$1,216,411 in loans to the Village for this project. The Village is responsible for this loan. However, the Village entered into a contract with the City of Napoleon and is receiving \$39,861 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.

The Ohio Water Development Authority (OWDA) Loan #5311 relates to wastewater system design project the Ohio Environmental Protection Agency mandated. The improvements have not been completed to date and a final amortization schedule is unavailable. The loan will be repaid in 2012, but is not included in the accompanying amortization schedule.

Amortization of OWDA Loan #1711, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan
2011	\$107,991
2012	108,561
2013	109,176
2014	109,838
2015	110,552
2016	55,461
Total	\$601,579

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. 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. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Risk Pool Membership

Through December 31, 2008, the Village belonged to 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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% 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 725 members as of December 31, 2009. The Village participates in this coverage.

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Management (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate participates in this coverage.

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.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	2009	2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members’ Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

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

9. Ohio EPA Findings

The Director of the Ohio Environmental Protection Agency (OEPA) has determined the Village exceeded the maximum contaminant level (MCL) for total trihalomethanes (TTHM) in its drinking water. This would be in violation of Ohio Administrative Code Rule 3745-81-12 for the periods between 2005 through 2010. In addition OEPA identified certain other significant regulatory deficiencies related to the operation of its water system. OEPA ordered the Village address each noncompliance issue including a general plan to reduce TTHM to within acceptable levels. This plan will likely entail as yet undetermined, additional costs to the Village for improvements to its water system.

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VILLAGE OF MALINTA
HENRY COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR Program Title	Project Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Direct Assistance			
Water and Waste Disposal Systems for Rural Communities			
Grant		10.760	\$827,443
Loan		10.760	<u>860,894</u>
Total Federal Awards Expenditures			<u><u>\$1,688,337</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF MALINTA
HENRY COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

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

Village of Malinta
Henry County
P.O. Box 69
Malinta, Ohio 43535-0069

To the Village Council:

We have audited the financial statements of the Village of Malinta, Henry County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 21, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(A) mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 21, 2011.

We intend this report solely for the information and use of management, the audit committee, Village Council, federal awarding agencies and pass-through entities, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 21, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Village of Malinta
Henry County
P.O. Box 69
Malinta, Ohio 43535-0069

To the Village Council:

Compliance

We have audited the compliance of the Village of Malinta, Henry County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Malinta complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Village Council, others within the Village, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

July 21, 2011

**VILLAGE OF MALINTA
HENRY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	GAAP – Adverse Regulatory – Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA #10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2010-001

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Clerk-Treasurer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The financial statements contained the following errors:

- \$860,894 and \$107,962 of Loan Proceeds from the Ohio Water Development Authority were incorrectly reported as Sale of Bonds in the Enterprise Fund during 2010 and 2009, respectively.

**FINDING NUMBER 2010-001
(Continued)**

- \$369,799 of new Loan Proceeds from the Ohio Water Development Authority used to payoff an existing loan were not recorded in the Enterprise Fund in 2009,
- \$13,628 and \$12,167 of capitalized interest by the Ohio Water Development Authority was not recorded in the Enterprise Fund during 2010 and 2009, respectively.

The financial statements and schedules presented have been adjusted to reflect these corrections.

To ensure the Village's financial statements, schedules and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements, schedules, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2010-002

Noncompliance Finding

Ohio Revised Code, § 5705.10, requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. In addition, the **Cooperative Agreement for State Planning Project Section 3.2(c)**, states the Village is to segregate the revenues, funds and properties of the system from all other funds and properties of the Village.

Furthermore, the aforementioned section requires all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. This section also provides that money paid into any fund shall be used only for the purposes for which such fund is established.

The Village did not record Ohio Water Development Authority interim loan monies in the amount of \$1,249,546 (which included capitalized interest) to a separate fund. Instead, the Village comingled this revenue with activity in the Sanitary Sewer Fund.

We recommend the Clerk-Treasurer follow Ohio Revised Code and the Cooperative Agreement for State Planning Project guidelines and segregate the revenues, funds and properties of the system from all other funds and properties of the Village.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

3. FINDINGS FOR FEDERAL AWARDS

None

VILLAGE OF MALINTA
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Monitoring of Financial Statements	No	Not Corrected, repeated as finding 2010-001 in this report.

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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 9, 2011