
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF MALVERN
CARROLL COUNTY, OHIO

A&A
REGULAR AUDIT

For the Years Ended
December 31, 2015 and 2014

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Dave Yost • Auditor of State

Village Council
Village of Malvern
116 West Main Street
Malvern, Ohio 44644

We have reviewed the *Independent Auditor's Report* of the Village of Malvern, Carroll County, prepared by Alger & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 11, 2017

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VILLAGE OF MALVERN
CARROLL COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Malvern
Carroll County
116 West Main Street
Malvern, OH 44644

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 Malvern, Carroll County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 1 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, 2015 and 2014, 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 Malvern, Carroll County as of December 31, 2015 and 2014, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 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.

Alger and
Associates Inc  Digitally signed by Alger and Associates Inc
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Date: 2017.06.15 10:25:38 -0400'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
June 14, 2017

MALVERN VILLAGE
CARROLL COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (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	\$ 25,811	\$5,551	\$ -	\$ 31,362
Municipal Income Tax	197,933	-	-	197,933
Intergovernmental	43,992	64,368	-	108,360
Charges for Services	6,039	-	-	6,039
Fines, Licenses and Permits	9,540	-	-	9,540
Earnings on Investments	269	-	-	269
Miscellaneous	14,855	5,237	-	20,092
Total Cash Receipts	298,439	75,156	-	373,595
Cash Disbursements:				
Current:				
Security of Persons and Property	18,373	-	-	18,373
Public Health Services	7,616	-	-	7,616
Leisure Time Activities	40,811	-	-	40,811
Transportation	-	98,024	-	98,024
General Government	170,443	-	-	170,443
Total Cash Disbursements	237,243	98,024	-	335,267
Total Receipts Over/(Under) Disbursements	61,196	(22,868)	-	38,328
Other Financing Receipts/(Disbursements):				
Transfers In	-	40,000	-	40,000
Transfers Out	(40,000)	-	-	(40,000)
Total Other Financing Receipts/(Disbursements)	(40,000)	40,000	-	-
Net Change in Fund Cash Balances	21,196	17,132	-	38,328
Fund Cash Balance, January 1	150,099	14,728	10	164,837
Fund Cash Balance, December 31				
Restricted	-	31,860	10	31,870
Unassigned	171,295	-	-	171,295
Fund Cash Balance, December 31	\$ 171,295	\$ 31,860	\$ 10	\$ 203,165

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

MALVERN VILLAGE
CARROLL COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$389,490	\$ -	\$ 389,490
Total Operating Cash Receipts	389,490	-	389,490
Operating Cash Disbursements:			
Personal Services	61,029	-	61,029
Employee Fringe Benefits	11,386	-	11,386
Contractual Services	41,887	-	41,887
Supplies and Materials	184,138	-	184,138
Other	86	-	86
Total Operating Cash Disbursements	298,526	-	298,526
Operating Income	90,964	-	90,964
Non-Operating Receipts/Disbursements			
Special Assessments	75,000	-	75,000
Other Debt Proceeds	25,775	-	25,775
Capital Outlay	(25,775)	-	(25,775)
Principal Retirement	(38,270)	-	(38,270)
Interest and Other Fiscal Charges	(63,720)	-	(63,720)
Total Non-Operating Receipts/Disbursements	(26,990)	-	(26,990)
Net Change in Fund Cash Balances	63,974	-	63,974
Fund Cash Balance, January 1	345,209	5	345,214
Fund Cash Balance, December 31	\$ 409,183	\$ 5	\$ 409,188

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

MALVERN VILLAGE
CARROLL COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 26,026	\$ 5,618	\$ -	\$ 31,644
Municipal Income Tax	174,334	-	-	174,334
Intergovernmental	146,743	69,303	-	216,046
Charges for Services	8,793	-	-	8,793
Fines, Licenses and Permits	10,033	-	-	10,033
Earnings on Investments	63	-	-	63
Miscellaneous	8,232	10,695	-	18,927
Total Cash Receipts	374,224	85,616	-	459,840
Cash Disbursements:				
Current:				
Security of Persons and Property	19,676	-	-	19,676
Public Health Services	7,235	-	-	7,235
Leisure Time Activities	168,222	-	-	168,222
Transportation	-	114,513	-	114,513
General Government	158,476	-	-	158,476
Total Cash Disbursements	353,609	114,513	-	468,122
Total Receipts Over/(Under) Disbursements	20,615	(28,897)	-	(8,282)
Other Financing Receipts/(Disbursements):				
Transfers In	-	10,000	-	10,000
Transfers Out	(10,000)	-	-	(10,000)
Total Other Financing Receipts/(Disbursements)	(10,000)	10,000	-	-
Net Change in Fund Cash Balances	10,615	(18,897)	-	(8,282)
Fund Cash Balance, January 1 <i>(see note 3)</i>	139,484	33,625	10	173,119
Fund Cash Balance, December 31				
Restricted	-	14,728	10	14,738
Assigned	46,888	-	-	46,888
Unassigned	103,211	-	-	103,211
Fund Cash Balance, December 31	\$ 150,099	\$ 14,728	\$ 10	\$ 164,837

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

**MALVERN VILLAGE
CARROLL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 353,607	\$ -	\$ 353,607
Miscellaneous	636	-	636
Total Operating Cash Receipts	354,243	-	354,243
Operating Cash Disbursements:			
Personal Services	64,412	-	64,412
Employee Fringe Benefits	13,209	-	13,209
Contractual Services	41,060	-	41,060
Supplies and Materials	108,984	-	108,984
Other	156	-	156
Total Operating Cash Disbursements	227,821	-	227,821
Operating Income	126,422	-	126,422
Non-Operating Receipts/Disbursements			
Other Debt Proceeds	354,010	-	354,010
Capital Outlay	(354,010)	-	(354,010)
Principal Retirement	(26,200)	-	(26,200)
Interest and Other Fiscal Charges	(56,120)	-	(56,120)
Total Non-Operating Receipts/Disbursements	(82,320)	-	(82,320)
Net Change in Fund Cash Balances	44,102	-	44,102
Fund Cash Balance, January 1	301,107	5	301,112
Fund Cash Balance, December 31	\$ 345,209	\$ 5	\$ 345,214

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

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 directs the Village. The Village provides water utilities and park operations. The Village contracts with the Carroll County Sheriff's department to provide security of persons and property. 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. Accounting Basis

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 Board 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.

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 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 accounts for and reports all financial resources not accounted for and reported in another fund.

VILLAGE OF MALVERN
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. 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 funds:

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

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

5. 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 no significant Agency Funds.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. 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.

VILLAGE OF MALVERN
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

VILLAGE OF MALVERN
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

4. 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.

5. 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.

G. 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.

H. 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:

	2015	2014
Demand deposits	<u>\$612,353</u>	<u>\$510,051</u>

VILLAGE OF MALVERN
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

3. PRIOR FUND BALANCE

The prior audit reflected the Special Revenue Fund ending balance for December 31, 2013 of \$139,484 in error. It should have been \$33,625, though the Total Memorandum of \$173,119 was correct, therefore the beginning balance at January 1, 2014 for the Special Revenue is properly reflected on the financial statements as \$33,625.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$190,000	\$298,439	\$108,439
Special Revenue	124,600	115,156	(9,444)
Enterprise	390,000	490,265	100,265
Total	\$704,600	\$903,860	\$199,260

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$277,875	\$277,243	\$632
Special Revenue	123,177	98,024	25,153
Enterprise	459,870	449,667	10,203
Total	\$860,922	\$824,934	\$35,988

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$389,844	\$374,224	(\$15,620)
Special Revenue	96,580	95,616	(964)
Enterprise	322,073	708,253	386,180
Total	\$808,497	\$1,178,093	\$369,596

**VILLAGE OF MALVERN
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$405,769	\$363,609	\$42,160
Special Revenue	118,451	114,513	3,938
Enterprise	664,815	664,151	664
Total	\$1,189,035	\$1,142,273	\$46,762

Contrary to Ohio law, appropriation exceed estimated resources in the Svc Dept. Const. M&R fund by \$105,896 for the year ended December 31, 2015 and the Water Operating Fund by \$124,634 for the year ended December 31, 2014.

6. 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.

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

7. LOCAL INCOME TAX

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

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

VILLAGE OF MALVERN
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

8. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water System Mortgage Revenue Bond	\$1,193,500	4.5%
Ohio Water Development Authority Loan	368,915	2.0%
Total	\$1,562,415	

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 in the Water Operating Fund.

The Ohio Water Development Authority (OWDA) loan relates to a waterline extension project. The OWDA approved up to \$441,660 in loans to the Village for this project. The Village received \$354,010 in loan proceeds in calendar year 2014 and \$25,775 in calendar year 2015. The Village will repay the loans in semiannual installments over 30 years. Water receipts collateralize the loan and loan payment made out of the Water Operating Fund.

Amortization of the above debt, is scheduled as follows:

Year ending December 31:	Water System Revenue Bond	OWDA Loan
2016	\$28,600	\$8,011
2017	29,900	4,839
2018	31,300	9,824
2019	32,600	10,021
2020	34,200	10,223
2021-2025	195,200	54,279
2026-2030	243,200	59,958
2031-2035	303,100	66,232
2036-2040	295,400	73,161
2041-2045	0	72,367
Total	\$1,193,500	\$368,915

VILLAGE OF MALVERN
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

9. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

10. RISK MANAGEMENT

Commercial Insurance

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Beginning July, 2015, the Village has obtained commercial insurance for the following risks through Whitaker-Myers Group:

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

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments for calendar year 2014 and until July 2015. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

VILLAGE OF MALVERN
CARROLL COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

10. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$7,400.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

	<u>2014</u>
Contribution to P.E.P	\$11,883

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

11. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Village of Malvern
Carroll County
116 West Main Street
Malvern, OH 44644

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 Village of Malvern, Carroll County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 14, 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.

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

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 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. We consider findings 2015-001 and 2015-004 through 2015-009 described in the accompanying schedule of findings to be material weaknesses.

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North Canton, OH 44720
Phone (330) 353-5851 – Fax (330) 768-7578

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-010 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 through 2015-003.

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.

**Alger and
Associates Inc**  Digitally signed by Alger and Associates Inc
DN: cn=Alger and Associates Inc,
o, ou, email=ksalger46@att.net,
c=US
Date: 2017.06.15 10:25:15 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

June 14, 2017

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2015 and 2014, the Ohio Water Development Authority (OWDA) expended funds for the waterline extension project on behalf of the Village. Under the terms of the agreement, OWDA made payments directly to the vendor/contractor(s) on the Village's behalf for \$354,010 in 2014 and \$25,775 in 2015. These payments were not recorded in the Village's accounting records, thus understating the enterprise fund's loan proceeds. Adjustments were made to the financial statements to properly state these receipts and disbursements.

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. Additionally, pursuant to Ohio Rev. Code § 5705.42, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code Section 731.17, provides the procedures that apply to the passage of ordinances and resolutions of a municipal corporation. The procedures are as follows:

- (1) Each ordinance and resolution shall be read by title only, provided the legislative authority may require any reading to be in full by a majority vote of its members.
- (2) Each ordinance or resolution shall be read on three different days, provided the legislative authority may dispense with this rule by a vote of at least three-fourths of its members.
- (3) The vote on the passage of each ordinance or resolution shall be taken by yeas and nays and entered upon the journal.
- (4) Each ordinance and resolution shall be passed, except as otherwise provided by law, by a vote of at least a majority of all the members of the legislative authority.

Village Council has passed numerous ordinances and resolutions as emergency measures. We noted in 2014, there was a total of 20 Ordinances passed and 13 of them were passed as an emergency. Additionally there was a total of 6 Resolutions and 5 were passed as an emergency.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-002 (Continued)

Noncompliance (Continued)

In 2015, we noted, there was a total of 30 Ordinances passed and 14 of them were passed as an emergency. Additionally there was a total of 8 Resolutions and 4 were passed as an emergency.

This could result in Council attempting to circumvent certain laws and regulations. Council should follow the appropriate steps as they pertain to this Section and vote on suspending rules whenever they choose to pass an ordinance as an emergency only if it truly is an emergency.

FINDING NUMBER 2015-003

Noncompliance – Expenditures Limited by Appropriations

Ohio Revised Code, §5705.39 states in part that the total appropriations from each fund shall not exceed the total estimated resources as certified by the county budget commission.

As of December 31, 2014, appropriations exceeded estimated resources in the Water Operating Fund by \$124,634. As of December 31, 2015, Service Dept. Construction Maintenance & Repair Fund had appropriations exceeded estimated resources in the amount of \$105,896.

This situation increases the possibility that deficit spending may occur. The Fiscal Officer may request Council to approve reduced appropriations to the amount of the estimated resources or amend the estimated resources, if necessary.

We recommend management monitor their budgetary accounts throughout the year to ensure that appropriations do not exceed estimated resource. No expenditures or commitments should be made until the County Auditor certifies that the appropriations from each fund do not exceed the official estimates. Fund appropriations should be amended to correspond with any increase or decrease in fund estimated resources.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-004

Material Weakness – Budgetary Information - UAN

Accurate budgetary information within the Village’s accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Budgetary information entered into the accounting system does not match amounts per the appropriations received from the County in 2015 nor the estimated resources certified by the County Auditor for both 2014 and 2015. The fund and amounts recorded in the accounting systems compared to the amount certified and authorized are as follows:

2014:	<u>Co Auditor Certification</u>	<u>Revenue Status Report</u>	<u>Variance</u>
General Fund	\$389,844	\$366,015	\$23,829
Svc Dept. Const. & M&R	\$90,974	\$113,000	\$22,026
Water Operating	\$322,073	\$310,000	\$12,073

2015:	<u>Co Auditor Certification</u>	<u>Revenue Status Report</u>	<u>Variance</u>
General Fund	\$190,000	\$250,987	\$ 60,987
Svc Dept. Const. & M&R	\$119,000	\$109,299	\$ 9,701
Water Operating	\$390,000	\$353,606	\$ 36,394

2015:	<u>Appropriation Authorized</u>	<u>Appropriation Status Report</u>	<u>Variance</u>
General Fund	\$277,875	\$297,875	\$20,000

The Village should implement the appropriate procedures, such as ensuring minutes include accurate information on budgetary amendments and reconciling budgetary information within the accounting system to formally approved budgets, to ensure that budgetary information is presented accurately and completely.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-005

Village Administrator – Material Weakness

Powers and Duties - The village administrator manages any public utilities and collects any rents for them. The administrator may pass bylaws and regulations relating to these utilities, which must not be inconsistent with village or State laws. The administrator supervises the maintenance of public places, streets, and sidewalks. The administrator may appoint those employees authorized by village council, with the mayor's approval. The administrator has all powers of the board of public affairs and street commissioner, plus other powers and duties set by ordinance of village council. However, the administrator cannot establish utility rates. Utility rates are determined by village council. The administrator is under the general supervision and control of the mayor. (Ohio Revised Code Section 735.273)

Council has not adopted any policy or procedures for the oversight of the Village Administrator's duties by the Mayor. Ordinance 18-2011 states in part: The part-time Village Administrator shall be under the general supervision and control of the Mayor. During our review of the timecards we noted the Mayor did not approve the hours worked for the audit period, however, Council approved the payrolls.

Because the Village Administrator's ordinance indicates the hours required to work and also a salary, we were unable to determine what was Council's intent if the prior Village Administrator does not work the required hours.

During our review of the prior Village Administrator time cards we noted the following:

- The time cards were hand written for all of 2014 and through May 2015. Because the time cards were hand written and the prior Village Administrator refusing to utilize the time clock we were unable to determine if the Administrator actually worked the hours noted on the time cards.
- Also because of the lack of oversight by the prior Mayors and Council Members it was difficult to determine if the prior Village Administrator worked the required hours thus the prior Fiscal Officer requested two other signatures on the pay checks for the prior Village Administrator.
- For the pay periods ending in 7/11/2015 and from 8/8/2015 thru 12/26/2015, the prior Village Administrator was paid hourly rather than salary. The Village Ordinance indicates the Village Administrator was required to work 20 hours per week and receive a salary.
- For the pay period of March 9, 2014 thru March 22, 2014 the prior Administrator provided two time cards to the Fiscal Officer in which the time noted on each card was not consistent. One time card shows the prior Administrator worked on Sunday March 9 and Wednesday March 19, however, the second time card submitted shows he did not work.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-005 (*continued*)

- For the pay period ending 6/27/2015 the prior Village Administrator had two time cards. One was hand written and the other was punched by the clock. The time clock shows he worked 25 hours while the hand written time card shows he worked 40 hours. He was paid for the 40 hours.
- We noted the Administrator's payroll is charged 50% to the Water Fund and 50% to the General Fund, however, the time cards do not reflect what the Administrator was working on during the pay periods thus we were unable to determine if the amounts charged to the two funds were appropriate.

We also compared the time cards in which the prior Village Administrator worked for the Village of Sebring and the Village of Malvern.

- We found several instances where the prior Administrator's time cards reflects the same hours worked at both Villages, however, in most instances the Village Administrator time cards also reflected more hours worked than required at either Village or both Villages.
- We also noted he charged both Villages for attending training (32 hours), however, the Mayor of Malvern did not approve 8 hours as he was charging the Village of Sebring. The other 24 hours was paid by both Villages.
- As part of the hours paid, the prior Village Administrator charged a total of 53 hours in 2015 and 46.75 hours in 2014 were for drive time to either the Village of Malvern or the Village of Sebring as hours worked. The Village was unable to provide any policy regarding drive time.

Sound internal controls, such as proper monitoring and formal procedures, are pertinent to ensure that all financial transactions incurred are authorized, for a proper public purpose, and accounted for. Council should ensure that the following procedures are implemented:

- Council should monitor the payroll process including reviews of payroll reports.
- Sufficiently detailed employee time cards should be completed and signed by the relevant supervisor indicating approval of the employee's hours worked.
- Council should require the Village Administrator to utilize the time card clock when the Administrator is working on Village duties. The time cards should detail the hours worked on Village projects and the time spent working on the Water Department projects. The Village funds being charged should coincide with the projects the Administrator's time cards reflects.
- Council should consider requiring the Village Administrator to be on Village premises when working his required hours. This will eliminate any irregularities from occurring. Council should also develop a policy with the Mayor which specifically outlines the duties of the Mayor in his/her over site of the Village Administrator.
- The Mayor should approve and sign off on the Administrator's payroll and ensure the Administrator is performing their duties in accordance with the aforementioned ordinance and/or policy.
- The Mayor should also monitor the Village Administrator to insure they are performing their duties in accordance with Village Policies and Procedures manual. All additional procedures adopted by Council should also be monitored.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-005 (continued)

During our review of the minutes we also noted the following:

- According to the minutes and time cards the prior Village Administrator hired a person to cover for the water department during his vacation July 2014. The Village Administrator hired Kristopher Harshman to fill in without Council's approval. Council did not approve payment until February 2, 2015. Ordinance 17- 2013 states in part that "No contractor or entity shall perform work within the Village of Malvern without first having obtained a Contractor Registration Permit from the Village. The prior Village Administrator failed to insure that Mr. Harshman complied with this ordinance."
- The prior Village Administrator was on vacation during February 9-17, 2014, we were unable to locate where Council had approved a license operator to cover the water department in his absence.
- The prior Village Administrator was on vacation during February 9-13, 2015, we were unable to locate where Council had approved any person to cover the water department in his absence. The prior Village Administrator, according to the minutes, Ralph Castellucci was to cover for Mr. Bates while on vacation. Council failed to approve Mr. Castellucci for the temporary employment and the rate of pay. Also we were unable to locate any payment for Mr. Castellucci. Therefore we are unable to determine if Village had a licensed operator during Mr. Bates absence.
- The prior Village Administrator was on vacation during July 6-10, 2015 and we were unable to locate where Council had approved any license operators to cover the water department in his absence. Council failed to approve any person to cover for prior Village Administrator during his absence.

The minutes for August 17, 2015 states in part "Motion by DeLong, second Holmes requesting an executive session for compensation a public employee or official with possible action to be taken." When Council reconvened they passed an ordinance 10-2015 to create the position of License Operator at the Water Plant for the Village of Malvern and fixing the Duties and Compensation of the Position. All Council approved. According to the yellow book which states in part: A public body may adjourn into executive session:

- To consider the appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or official; and
- To consider the investigation of charges or complaints against a public employee, official, licensee, or regulated individual,961 unless the employee, official, licensee, or regulated individual requests a public hearing;

A motion to adjourn into executive session must specify which of the *particular* personnel matter(s) listed in the statute the movant proposes to discuss.

With narrow exceptions, the Ohio Open Meetings Act requires the members of a public body to discuss and deliberate on official business only in open meetings. "Discussion" is the exchange of words, comments, or ideas by the members of a public body. "Deliberation" means the act of weighing and examining reasons for and against a choice. One court has described "deliberation" as a thorough discussion of all factors involved, a careful weighing of positive and negative factors, and a cautious consideration of the ramifications of the proposal, while gradually arriving at a decision.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-005 *(continued)*

Another court described the term as involving “a decisional analysis, i.e., an exchange of views on the facts in an attempt to reach a decision.” Council approved to suspend rule 731.17 for the reading of Ordinance 10-2015 (An Ordinance to Create the Position of License Operator at the Water Plant for the Village of Malvern, Ohio and Fixing the Duties and Compensation of the Position).

Council failed to deliberate during the open meeting regarding the creation of a new position at the water department.

Council should take steps to insure when the Village Administrator is on extended leave that a license operator is approved by Council to cover the water department. Council should also insure they have a thorough discussion of all the matters as outlined in the various sections of the Ohio open Meetings Act.

FINDING NUMBER 2015-006

Sick Leave– Material Weakness

Section 7.8.2 of the policy manual, states in part; an employee absent on sick leave for more than three (3) days shall submit a claim for sick leave. For a sick leave absence of three days or less, the appointing authority may require employees to furnish a claim for sick leave form. Failure to submit the sick leave claim form when required will result in the employee being determined to be on leave without pay and a deduction in the subsequent payroll period. The claim form should be forwarded with the employee's time sheet. Also the appointing authority may investigate all usage of sick leave and may withhold full payment of said sick leave until the investigation is completed. Should the appointing authority determine that an employee has not used sick leave properly, payment may be denied and discipline imposed.

Section 3.2 of the policy manual, states in part; for each arranged position, there is an assigned Grade. Within each Grade there are a total of 5 steps. An employee of the Village of Malvern, Ohio, upon appointment, will be assigned to a particular grade dependent upon the position being assigned, and particular step based upon education, experience and/or specific training necessary for employment. Advancement from step to step within the pay range shall be made by the Council using the Performance Appraisal System; each employee will be evaluated at least once a year. Evaluations may take into consideration merit, fitness, longevity, change in responsibilities of the position, and any other factors in the judgment of the Council which may be pertinent in determining individual advancements and compensation. The evaluation will be on a standardized form and will be placed permanently in each employee's personnel file. All evaluations shall be shown to the employee being rated and discussed thoroughly with him or her. At the conclusion of the discussion, the employee will be asked to sign the evaluation form.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-006 *(continued)*

We noted the following:

- The Village does not have an effective control measure to ensure sick leave abuse does not occur. Although the Village requires verification for sick leave use over three days, the Village does not require sick leave forms for each occurrence.
- The Village was unable to provide any evaluations for the employee in order to determine if Council and the Village Administrator was monitoring the sick leave hours the employee was taking.

The Village Administrator failed to perform the required evaluations and monitor the sick leave usage and Council failed to require the evaluation in order for Council to make a more informed decision regarding increase compensation.

By developing a policy of having the employees complete a sick leave form, for each time the employee is off on sick leave, Council and the Village Administrator would be able to review for patterns of abuse which would allow the Governing Board to investigate situations and reduce abuse.

The Village should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the Village considers to be an acceptable standard of attendance and outline consequences for noncompliance.

Council should require the Village Administrator perform the essential evaluations pursuant to section 3.2 of the policy manual. Council should be reviewing these evaluations prior to approving advancements and compensation as required by this section.

FINDING NUMBER 2015-007

Village Tax Administrator - Material Weakness

Income Tax Village Officer's Handbook, Chapter Two (V) (E) -- Tax Administrator –

Tax Administrator - The legislative authority (council) of the village that operates under a general statutory plan of municipal government may appoint an individual known as the Tax Administrator to assist the Village Treasurer in matters relating to income taxes. The individual so appointed must be an employee of the treasurer's office and be responsible to, and under the control of, the village treasurer.

The legislative authority (Council) has appointed a part-time person to server as Tax Administrator. However, the Tax Administrator is not under the control of the Fiscal Officer. Thus there is no oversight. The Fiscal Officer has no knowledge and/or involvement of the Village tax collections procedures and computerized bookkeeping system. However, the Fiscal Officer is required to issue refund checks without any supporting documentation. Also the Fiscal Officer is unable to assist the Tax Administrator.

We recommend Village's Council consider merging the Income Tax Department under the Fiscal Officer as required by the Village Officer's Handbook.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-008

Long Term Financial Planning– Material Weakness

Long-term financial planning combines financial forecasting with strategizing. It is a highly collaborative process that considers future scenarios and helps governments navigate challenges. Long-term financial planning works best as part of an overall strategic plan. Financial forecasting is the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.

Long-term financial planning is also the process of aligning financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges.

The Village has not performed any type of long term financial planning. The Village should consider asking the Local Government Services of the Auditor of State's office to perform this forecast. The forecast can then be used to identify potential challenges to fiscal stability. These could be fiscal deficits (e.g., expenditures outpacing revenues), environmental challenges (e.g., unfavorable trends in the environment), or policy weaknesses (e.g., weaknesses in the financial policy structure).

FINDING NUMBER 2015-009

Performance Audit– Material Weakness

Performance audits provide elected officials and government employees with an objective, third-party analysis of their operations to help them improve performance, reduce costs, and make informed, data-driven decisions. The Auditor of State's office conducts performance audits of Ohio's schools, local governments and state agencies.

A performance audit is a non-recurring examination of the economy, efficiency and effectiveness of government programs and functions. The principles guiding performance auditing are often called the "Three Es":

- (1) The principle of ECONOMY is keeping the cost low.
- (2) The principle of EFFICIENCY is getting the most out of available resources.
- (3) The principle of EFFECTIVENESS is meeting the objectives set.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

FINDING NUMBER 2015-009 *(continued)*

Tailored to each client, Auditor of State performance audits are flexible and may include a range of subject areas. Performance audits can analyze the operations of an entire entity or a particular department. They can also examine a function or service that cuts across the operation or a single issue that involves several departments. Some examples of areas commonly analyzed are staffing, health insurance, collective bargaining agreements, employee compensation, contract management, transportation systems, and facility and asset utilization. Results may identify cost savings, duplicative or underused services that could be reduced or eliminated, and gaps and overlaps in services. Performance audits are collaborative efforts requiring the participation of the governments being audited during all three phases of the engagement: planning, fieldwork and reporting.

A performance audit can be used by the Village to improve operations, identify cost savings and produce sustainable, balanced budgets.

We recommend the Village consider obtaining a performance audit. This audit can be used by the Village seeking to improve operations, identify cost savings and produce sustainable, balanced budgets.

FINDING NUMBER 2015-010

Park Receipts– Significant Deficiency

During our limited review of the Park Receipts we noted the Mayor was issuing the permits and collecting the monies. We also noted there were 5 receipts totaling \$270 we were unable to locate a deposit for.

We recommend the receipts should be issued by the Fiscal Officer or their designee. Any collections of money should be made to the Fiscal Officer. The Fiscal Officer should reconcile the receipts to the permits issued to the deposits made and revenues posted. This would help to ensure there are no errors or irregularities for the collections of park receipts.

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code §5705.41(B) Village had expenditures exceeding appropriations.	Yes	No Longer Valid
2013-002	Ohio Rev. Code § 5705.41(D)(1) – Village did not encumber obligations prior to commitment.	Yes	No Longer Valid
2013-003	Ohio Rev. Code, §145.03, Internal Revenue Code (IRC) Chapter 26 Section 3102 (a) Village paid OPERS for an employee while employee worked for a non-profit agency.	Yes	No Longer Valid
2013-004	Material Weakness improper posting of expenditures as Transfer Out required reclassification to Transportation.	Yes	No Longer Valid
2013-005	Material Weakness improper payment of spouse insurance deductible.	Yes	No Longer Valid
2013-006	Material Weakness unauthorized personal expenditures, expenditure for a nonpublic purpose.	Yes	No Longer Valid
2013-007	Material Weakness – Payroll: Council failure to provide policy and procedures manual for the collection of revenues, purchases/expenditures and payroll procedures.	No	Not Corrected. Reissued see Finding 2015-005
2013-008	Material Weakness financial record keeping leave balances for some employees did not agree per the accounting system and the time cards or the Village policy.	Yes	No Longer Valid
2013-009	Material Weakness – Payroll: failed to comply with the Village policy manual concerning payment of Water Department Administrator concerning OT, holidays and weekends.	Yes	No Longer Valid
2013-010	Material Weakness – Payroll: failed to comply with the Village policy manual concerning payment of Assistant Superintendent of Village Services concerning call-in-pay, OT, holidays and weekends.	Yes	No Longer Valid

VILLAGE OF MALVERN
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-011	Material Weakness – Payroll: Council failed to comply with the payroll policy manual concerning holiday pay when employee scheduled work the day before and day after holiday.	Yes	No Longer Valid
2013-012	Material Weakness – Payroll: Village Administrator failed to perform the required evaluations and monitor sick leave usage, Council failed to require the evaluation in order for Council to make a more informed decision regarding increase compensation.	No	Not Corrected. Reissued see Finding 2015-006
2013-013	Material Weakness – payment in advance of services being rendered Village made payments for vacation time and contractor services for lawn care prior to earn or services rendered.	Yes	No Longer Valid
2013-014	Material Weakness – Payroll: Village Administrator’s lack recordkeeping to support charging two separate funds, handwritten time cards were incomplete, vacation hours exceed allotted hours earned, OPERS were picked-up by Village contrary to policy.	No	Partially Corrected. Reissued see Finding 2015-005
2013-015	Material Weakness – Payroll: the Village appointment of a part-time Tax Administrator fail to be under the control of Fiscal Officer. Tax Administrator received compensatory not earned or took more leave time than allotted, Council failed to approve Tax Administrator attending training/seminars.	No	Partially Corrected. Reissued see Finding 2015-007
2013-016	Material Weakness – The Village has not performed any type of long term financial planning.	No	Not Corrected. Reissued see Finding 2015-008
2013-017	Material Weakness – to improve operations, identify cost savings and produce sustainable, balanced budgets.	No	Not Corrected. Reissued see Finding 2015-009



Dave Yost • 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
JULY 25, 2017