



**VILLAGE OF KALIDA
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF KALIDA
PUTNAM COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Kalida
Putnam County
P.O. Box 495
Kalida, Ohio 45853-0495

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 30, 2009

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Kalida
Putnam County
P.O. Box 495
Kalida, Ohio 45853-0495

To the Village Council:

We have audited the accompanying financial statements of the Village of Kalida, Putnam County, (the Village) as of and for the years ended December 31, 2008 and 2007. 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(B) and 115.56 mandate 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, 2008 and 2007 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, 2008 and 2007, 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 and reserves for encumbrances of the Village of Kalida, Putnam County, as of December 31, 2008 and 2007, 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 September 30, 2009, 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.



Mary Taylor, CPA
Auditor of State

September 30, 2009

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$66,466	\$17,496		\$83,962
Municipal Income Tax	210,084		\$135,817	345,901
Intergovernmental Receipts	896,999	75,099		972,098
Charges for Services	65,113			65,113
Fines, Licenses, and Permits	4,905			4,905
Earnings on Investments	21,610	2,073		23,683
Miscellaneous	30,204			30,204
	<u>1,295,381</u>	<u>94,668</u>	<u>135,817</u>	<u>1,525,866</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	55,628	78,110		133,738
Basic Utility Services	1,371			1,371
Transportation		16,160		16,160
General Government	185,236	472		185,708
Debt Service:				
Principal Payments			27,869	27,869
Interest Payments			45,869	45,869
Capital Outlay	81,791	258,115	52,072	391,978
	<u>324,026</u>	<u>352,857</u>	<u>125,810</u>	<u>802,693</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>971,355</u>	<u>(258,189)</u>	<u>10,007</u>	<u>723,173</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	79,191			79,191
Loan Proceeds			135,473	135,473
Other Financing Uses			(2,500)	(2,500)
Transfers-In		30,000		30,000
Advances-In	18,500	107,795		126,295
Transfers-Out	(30,000)			(30,000)
Advances-Out	(115,795)			(115,795)
	<u>(48,104)</u>	<u>137,795</u>	<u>132,973</u>	<u>222,664</u>
Total Other Financing Receipts and (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	923,251	(120,394)	142,980	945,837
Fund Cash Balances, January 1	<u>172,676</u>	<u>122,834</u>	<u>(33,737)</u>	<u>261,773</u>
Fund Cash Balances, December 31	<u>\$1,095,927</u>	<u>\$2,440</u>	<u>\$109,243</u>	<u>\$1,207,610</u>

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$308,947
Operating Cash Disbursements:	
Personal Services	76,906
Fringe Benefits	28,579
Contractual Services	56,974
Supplies and Materials	86,414
Total Operating Cash Disbursements	248,873
Operating Income	60,074
Non-Operating Cash Receipts:	
Municipal Income Tax	180,764
Other Non-Operating Receipts	12,479
Total Non-Operating Cash Receipts	193,243
Non-Operating Cash Disbursements:	
Capital Outlay	214,517
Redemption of Principal	45,183
Interst and Other Fiscal Charges	19,008
Total Non-Operating Cash Disbursements	278,708
Excess of Cash Disbursements Over Cash Receipts Before Advances	(25,391)
Advances-In	8,000
Advances-Out	(18,500)
Net Cash Disbursements Over Cash Receipts	(35,891)
Fund Cash Balances, January 1	367,553
Fund Cash Balances, December 31	\$331,662

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$65,249	\$18,275		\$83,524
Municipal Income Tax	188,232		\$17,137	205,369
Intergovernmental Receipts	75,032	72,664		147,696
Charges for Services	78,169			78,169
Fines, Licenses, and Permits	3,839			3,839
Earnings on Investments	13,896	1,731		15,627
Miscellaneous	6,678	413		7,091
	<u>431,095</u>	<u>93,083</u>	<u>17,137</u>	<u>541,315</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	71,880	58,326		130,206
Public Health Services	1,743			1,743
Leisure Time Activities	650			650
Basic Utility Services	3,108			3,108
Transportation		18,709		18,709
General Government	185,395	432		185,827
Debt Service:				
Interest Payments			2,962	2,962
Capital Outlay	50,344	9,140	762,056	821,540
	<u>313,120</u>	<u>86,607</u>	<u>765,018</u>	<u>1,164,745</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>117,975</u>	<u>6,476</u>	<u>(747,881)</u>	<u>(623,430)</u>
Other Financing Receipts and (Disbursements):				
Loan Proceeds			714,144	714,144
Transfers-In		47,998		47,998
Advances-In	127,000			127,000
Transfers-Out	(47,998)			(47,998)
Advances-Out	(16,500)			(16,500)
	<u>62,502</u>	<u>47,998</u>	<u>714,144</u>	<u>824,644</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	180,477	54,474	(33,737)	201,214
Fund Cash Balances, January 1	(7,801)	68,360		60,559
Fund Cash Balances, December 31	<u><u>\$172,676</u></u>	<u><u>\$122,834</u></u>	<u><u>(\$33,737)</u></u>	<u><u>\$261,773</u></u>
Reserves for Encumbrances, December 31	<u><u>\$7,169</u></u>		<u><u>\$27,944</u></u>	<u><u>\$35,113</u></u>

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$265,341
Operating Cash Disbursements:	
Personal Services	68,626
Fringe Benefits	23,769
Contractual Services	57,291
Supplies and Materials	93,503
Total Operating Cash Disbursements	243,189
Operating Income	22,152
Non-Operating Cash Receipts:	
Municipal Income Tax	188,232
Other Non-Operating Receipts	33,849
Total Non-Operating Cash Receipts	222,081
Non-Operating Cash Disbursements:	
Capital Outlay	100,109
Redemption of Principal	56,407
Interest and Other Fiscal Charges	21,819
Total Non-Operating Cash Disbursements	178,335
Excess of Receipts Over Disbursements Before Interfund Advances and Transfers	65,898
Transfers-In	71,000
Advances-In	16,500
Transfers-Out	(71,000)
Advances-Out	(127,000)
Net Disbursements over Receipts	(44,602)
Fund Cash Balances, January 1	412,155
Fund Cash Balances, December 31	\$367,553
Reserve for Encumbrances, December 31	\$10,370

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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

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

B. 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.

Police Fund – This fund receives tax levy money for police protection services.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Projects Fund:

Unverferth Manufacturing and Broad Street Fund – Loan Proceeds for construct water and sewer infrastructure to Unverferth Manufacturing and Broad Street reconstruction.

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.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Capital Improvement Fund – This fund receives municipal income taxes to finance water and sewer line expansion/reconstruction.

Water Tower Debt Fund - This fund receives municipal income taxes to repay a loan.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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. Unencumbered appropriations lapse at year end.

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 also 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. The Village did not encumber all commitments required by Ohio law.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2008 and 2007 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:

	2008	2007
Demand deposits	\$281,384	\$285,861
Certificates of deposit	1,257,888	343,465
Total deposits	<u>\$1,539,272</u>	<u>\$629,326</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$335,699	\$1,374,572	\$1,038,873
Special Revenue	109,856	124,668	14,812
Capital Projects	607,943	271,290	(336,653)
Enterprise	463,190	502,190	39,000
Total	<u>\$1,516,688</u>	<u>\$2,272,720</u>	<u>\$756,032</u>

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$510,875	\$354,026	\$156,849
Special Revenue	253,852	352,857	(99,005)
Capital Projects	574,207	128,310	445,897
Enterprise	733,384	527,581	205,803
Total	<u>\$2,072,318</u>	<u>\$1,362,774</u>	<u>\$709,544</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$517,531	\$431,095	(\$86,436)
Special Revenue	131,660	141,081	9,421
Capital Projects	880,000	731,281	(148,719)
Enterprise	588,600	558,422	(30,178)
Total	<u>\$2,117,791</u>	<u>\$1,861,879</u>	<u>(\$255,912)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$390,170	\$368,287	\$21,883
Special Revenue	185,998	86,607	99,391
Capital Projects	880,000	792,962	87,038
Enterprise	677,540	502,894	174,646
Total	<u>\$2,133,708</u>	<u>\$1,750,750</u>	<u>\$382,958</u>

Contrary to Ohio law, certain expenditures were not properly certified by the Village Fiscal Officer.

Contrary to Ohio law, budgetary negative fund balances were noted during 2008 year in the following funds General Fund, West Side Capital Project Fund, and Water Fund, and during 2007 year, in the West Side Capital Project Fund and Water Fund.

Also contrary to Ohio law, expenditures exceed appropriations in the Street Construction Repair and Maintenance Fund by \$114,184 in 2008.

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.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. PROPERTY TAX (Continued)

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.

5. 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. Income tax receipts are credited 50 percent to the General Fund, 41 percent to the Enterprise Capital Improvement Fund, and 9 percent to the Enterprise Water Tower Debt Service Fund. In June of 2008 the percentages were changed to 59 percent to the General Fund, 41 percent to the Enterprise Capital Improvement Fund.

6. DEBT

Debt outstanding at December 31, 2008, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$235,393	7.00%
General Obligation Loan	826,114	4.95%-5.5%
Ohio Public Works Commission Loans	31,943	
Total	<u>\$1,093,450</u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relates to a water and sewer plant expansion project that were mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments over 20 years.

The General Obligation Loan is to construct water and sewer infrastructure to Unverferth Manufacturing and for Broad Street reconstruction. This loan will be paid back in quarterly installments over 10 years. The loan is being repaid with income tax monies.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA - Principal	OWDA - Interest	OPWC Loans	General Obligation Loan Principal	General Obligation Loan Interest
2009	\$11,834	\$18,542	\$7,233	\$120,241	\$39,213
2010	25,442	16,767	7,232	126,390	33,063
2011	27,350	14,858	7,232	132,854	26,600
2012	29,402	12,808	4,942	139,590	19,864
2013	31,606	10,602	2,652	91,993	13,658
2018-2016	109,759	16,870	2,652	215,046	31,228
Total	<u>\$235,393</u>	<u>\$90,447</u>	<u>\$31,943</u>	<u>\$826,114</u>	<u>\$163,626</u>

7. RETIREMENT SYSTEMS

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs 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 over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

VILLAGE OF KALIDA
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

8. RISK MANAGEMENT (Continued)

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$ 6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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Mary Taylor, CPA
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 Kalida
Putnam County
P.O. Box 495
Kalida, Ohio 45853-0495

To the Village Council:

We have audited the financial statements of the Village of Kalida, Putnam County (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 30, 2009 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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(B) and 115.56 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 and 2008-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-004 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 30, 2009.

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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-2003.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 30, 2009.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 30, 2009

VILLAGE OF KALIDA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.10(H) states money paid into a fund must be used only for the purposes for which such fund has been established.

The existence of a deficit balance in any fund indicates monies from another fund or funds have been used to pay the obligations of the fund with the deficit balance.

The following funds had negative fund balances throughout each respective year with deficits as large as the following.

	<u>2008</u>	<u>2007</u>
General Fund	\$198,959	
Capital Project Fund, West Side	33,736	\$33,996
Water Fund	30,305	3,230

The Capital Project Fund, West Side also had a negative fund balance of \$32,737 at December 31, 2007. In addition, in 2007, an \$8,000 state fire grant was posted to the Street Construction Maintenance and Repair Fund rather than the General Fund. The financial statements and accounting records have been adjusted for the \$8,000 misclassification. The Village should review cash balances prior to making a commitment to expend funds and reduce planned expenditures or advance or transfer funds as needed to avoid deficit balances. We also recommend revenues be posted to the appropriate funds.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and order for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **“Then and Now” certificate** – If the fiscal officer can certify both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Forty Four percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements, we recommend all Council disbursements receive prior certification of the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer, and recorded against appropriations.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Actual expenditures exceeded approved appropriations at the legal level of control in the Street Construction Maintenance and Repair Fund by \$114,184 in 2008.

We recommend Council approved appropriation be reviewed to what is planned to be expended to ensure expenditures do not exceed appropriations.

FINDING NUMBER 2008-004

Material Weakness

Financial Reporting

Inaccurate posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

- Sale of Land of \$79,191, in 2008, was posted as a charges for services line item and should have been posted to sale of fixed asset line item in the General Fund
- Loan proceeds of \$135,473 in 2008 and \$714,144 in 2007 were classified as other financing sources in the Capital Project Fund.
- In 2008 and 2007 income tax revenue of \$160,247 and \$154,821 respectively, was posted to property tax revenue in the Enterprise Capital Improvement Fund.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements have been adjusted to correct these and other errors. We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Village Officers Handbook. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and the Council to ensure errors and omissions are detected and corrected.

Officials Response

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-01	Revised Code § 5705.41(D), lack of prior certification.	No	Not corrected. This finding has been repeated in this report as item 2008-002.
2006-002	Revised Code § 5705.41(B), expenditures in excess of appropriations.	No	Not corrected. This finding has been repeated in this report as item 2008-003.
2006-03	Revised Code § 5705.10, advance of funds and deficit fund balances.	No	Not corrected. This finding has been repeated in this report as item 2008-001.
2006-04	Due to errors in Financial Reporting.	No	Not corrected. This finding has been repeated in this report as item 2008-004.



Mary Taylor, CPA
Auditor of State

VILLAGE OF KALIDA

PUTNAM 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
OCTOBER 15, 2009