



Dave Yost • Auditor of State

VILLAGE OF KALIDA
PUTNAM COUNTY

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Dave Yost • 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.

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Dave Yost
Auditor of State

November 15, 2011

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Dave Yost • 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, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Kalida, Putnam County, Ohio as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Dave Yost
Auditor of State

November 15, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$74,612	\$15,096		\$89,708
Municipal Income Tax	241,091		\$155,045	396,136
Intergovernmental	438,896	106,249	114,089	659,234
Charges for Services	351,588			351,588
Fines, Licenses and Permits	5,791			5,791
Earnings on Investments	12,582	392		12,974
Donations		19,550		19,550
Miscellaneous	21,310	12,338		33,648
	<u>1,145,870</u>	<u>153,625</u>	<u>269,134</u>	<u>1,568,629</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	471,847	112,979		584,826
Leisure Time Activities		10,671		10,671
Basic Utility Service	653			653
Transportation		16,367		16,367
General Government	188,148	205		188,353
Debt Service:				
Redemption of Principal		11,368	131,407	142,775
Interest and Fiscal Charges		8,182	28,047	36,229
Capital Outlay		46,335	60,253	106,588
	<u>660,648</u>	<u>206,107</u>	<u>219,707</u>	<u>1,086,462</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>485,222</u>	<u>(52,482)</u>	<u>49,427</u>	<u>482,167</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		63,338	4,871	68,209
Transfers-Out	(68,209)			(68,209)
Advances-In	65,706	7,000		72,706
Advances-Out	(8,000)	(6,000)	(58,706)	(72,706)
	<u>(10,503)</u>	<u>64,338</u>	<u>(53,835)</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	474,719	11,856	(4,408)	482,167
Fund Cash Balances, January 1	<u>440,524</u>	<u>177,330</u>	<u>40,000</u>	<u>657,854</u>
Fund Cash Balances, December 31	<u>\$915,243</u>	<u>\$189,186</u>	<u>\$35,592</u>	<u>\$1,140,021</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, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$306,632
Operating Cash Disbursements:	
Personal Services	68,586
Employee Fringe Benefits	26,694
Contractual Services	65,449
Supplies and Materials	84,450
Total Operating Cash Disbursements	245,179
Operating Income	61,453
Non-Operating Cash Receipts:	
Municipal Income Tax	167,538
Non-Operating Cash Disbursements:	
Capital Outlay	137,799
Redemption of Principal	35,413
Interest and Other Fiscal Charges	15,649
Total Non-Operating Cash Disbursements	188,861
Excess of Cash Receipts Over Cash Disbursements Before Interfund Advances	40,130
Advances-In	1,000
Advances-Out	(1,000)
Net Cash Receipts Over Cash Disbursements	40,130
Fund Cash Balances, January 1	378,053
Fund Cash Balances, December 31	\$418,183

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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$78,799	\$18,765		\$97,564
Municipal Income Tax	239,346		\$188,611	427,957
Intergovernmental	357,821	200,468	307,258	865,547
Special Assessments		107,078		107,078
Charges for Services	55,441			55,441
Fines, Licenses and Permits	5,318			5,318
Earnings on Investments	17,791	778		18,569
Donations				
Miscellaneous	15,007	10,435		25,442
Total Cash Receipts	<u>769,523</u>	<u>337,524</u>	<u>495,869</u>	<u>1,602,916</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	60,531	83,159		143,690
Public Health Services	1,018			1,018
Leisure Time Activities		5,858		5,858
Basic Utility Service	27			27
Transportation	1,218	21,626		22,844
General Government	204,383	447		204,830
Debt Service:				
Redemption of Principal			218,268	218,268
Interest and Fiscal Charges		3,515	39,586	43,101
Capital Outlay	360,500	7,749	1,322,176	1,690,425
Total Cash Disbursements	<u>627,677</u>	<u>122,354</u>	<u>1,580,030</u>	<u>2,330,061</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>141,846</u>	<u>215,170</u>	<u>(1,084,161)</u>	<u>(727,145)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	150,000		27,389	177,389
Transfers-In		64,000	871,761	935,761
Transfers-Out	(935,761)			(935,761)
Advances-In	108,066	3,515	116,039	227,620
Advances-Out	(119,554)	(107,795)	(271)	(227,620)
Total Other Financing Receipts / (Disbursements)	<u>(797,249)</u>	<u>(40,280)</u>	<u>1,014,918</u>	<u>177,389</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(655,403)</u>	<u>174,890</u>	<u>(69,243)</u>	<u>(549,756)</u>
Fund Cash Balances, January 1	<u>1,095,927</u>	<u>2,440</u>	<u>109,243</u>	<u>1,207,610</u>
Fund Cash Balances, December 31	<u><u>\$440,524</u></u>	<u><u>\$177,330</u></u>	<u><u>\$40,000</u></u>	<u><u>\$657,854</u></u>
Reserve for Encumbrances, December 31		<u><u>\$14,575</u></u>	<u><u>\$55,382</u></u>	<u><u>\$69,957</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, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$313,168
Operating Cash Disbursements:	
Personal Services	76,227
Employee Fringe Benefits	30,374
Contractual Services	60,145
Supplies and Materials	101,939
Total Operating Cash Disbursements	268,685
Operating Income	44,483
Non-Operating Cash Receipts:	
Municipal Income Tax	166,325
Non-Operating Cash Disbursements:	
Capital Outlay	116,182
Redemption of Principal	30,900
Interest and Other Fiscal Charges	17,335
Total Non-Operating Cash Disbursements	164,417
Net Cash Receipts Over Cash Disbursements	46,391
Fund Cash Balances, January 1	331,662
Fund Cash Balances, December 31	\$378,053

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, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

Fire Grant Fund – This fund receives grant money for fire equipment purchases.

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

3. Capital Project Funds

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

Broad Street Fund – This fund receives loan and grant proceeds for the 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.

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.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2010	2009
Demand deposits	\$167,603	\$357,293
Certificates of deposit	1,390,601	678,614
Total deposits	\$1,558,204	\$1,035,907

Deposits: 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.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

3. Budgetary Activity

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

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$396,895	\$1,211,576	\$814,681
Special Revenue	181,896	223,963	42,067
Capital Projects	255,913	274,005	18,092
Enterprise	442,500	475,170	32,670
Total	\$1,277,204	\$2,184,714	\$907,510

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$956,974	\$736,857	\$220,117
Special Revenue	355,714	212,107	143,607
Capital Projects	179,875	278,413	(98,538)
Enterprise	820,552	435,040	385,512
Total	\$2,313,115	\$1,662,417	\$650,698

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$528,904	\$1,027,589	\$498,685
Special Revenue	360,103	405,039	44,936
Capital Projects	1,539,750	1,511,058	(28,692)
Enterprise	429,132	479,493	50,361
Total	\$2,857,889	\$3,423,179	\$565,290

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,091,166	\$1,682,992	(\$591,826)
Special Revenue	262,750	244,724	18,026
Capital Projects	1,648,994	1,635,683	13,311
Enterprise	610,010	433,102	176,908
Total	\$3,612,920	\$3,996,501	(\$383,581)

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

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Broad Street Capital Improvement Fund by \$60,253 for the year ended December 31, 2010, and in the General Fund by \$591,826 for the year ended 2009.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

4. Property Tax

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

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

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

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

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 59 percent to the General Fund and 41 percent to the Enterprise Capital Improvement Fund.

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$198,117	7%
General Obligation Loans	617,072	4.875% - 5.5%
Ohio Public Works Commission Loans	<u>42,127</u>	
Total	<u><u>\$857,316</u></u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency, and a water treatment plant equipment upgrade project. The loans will be repaid in semiannual installments over 20 years and 10 years, respectively.

The 4.95%-5.5% General Obligation Loan was 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.

The 4.875% General Obligation Loan was to help finance the purchase of land for the park. This loan will be paid back in semiannual payments over 10 years. This loan is being repaid with donations from outside organizations.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

6. Debt (Continued)

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

Year ending December 31:	OWDA - Principal	OWDA - Interest	OPWC	General Obligation Loan - Principal	General Obligation Loan - Interest
2011	\$27,350	\$14,859	\$7,680	\$24,815	\$12,640
2012	29,402	12,808	9,971	63,145	28,041
2013	31,607	10,602	5,391	66,354	24,833
2014	33,977	8,232	5,391	69,704	21,482
2015	36,526	5,683	2,739	73,225	17,960
2016-2020	39,255	2,954	10,955	319,829	32,976
Total	<u>\$198,117</u>	<u>\$55,138</u>	<u>\$42,127</u>	<u>\$617,072</u>	<u>\$137,932</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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

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

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and

**VILLAGE OF KALIDA
PUTNAM COUNTY**

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

8. Risk Management (Continued)

- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

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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, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 15, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002 and 2010-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 15, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

November 15, 2011

VILLAGE OF KALIDA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

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 Broad Street Capital Improvement Fund by \$60,253 in 2010, and in the General Fund by \$591,826 in 2009.

We recommend Council approved appropriations be compared to planned expenditures to ensure actual expenditures do not exceed appropriations.

FINDING NUMBER 2010-002

Noncompliance Citation/ Material Weakness

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 clerk 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 clerk 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.

FINDING NUMBER 2010-002
(Continued)

- 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 clerk 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 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.

In addition, The Village had \$12,375, \$2,200, and \$55,382 in outstanding purchase commitments at December 31, 2009, in the Street Construction, Maintenance, and Repair (SCMR) Special Revenue Fund, Park Special Revenue Fund and the Broad Street Capital Project Fund respectively, which were not certified at year end. The accompanying financial statements and budgetary presentation footnote have been adjusted to reflect these amounts as outstanding encumbrances at year end in the Special Revenue Funds and Capital Projects Fund.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2010-003

Material Weakness

Financial Reporting

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

- Income tax revenue of \$167,538 and \$166,325 in 2010 and 2009, respectively, was posted to property tax revenue in the Enterprise Capital Improvement Fund.
- Note proceeds of \$150,000 was classified as other financing sources in the General Fund in 2009.

The accompanying financial statements have been adjusted to correct these errors.

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 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, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 5705.10(H), deficit fund balances	Yes	
2008-002	ORC 5705.41(D)(1), lack of prior certification	No	Not Corrected. This finding has been repeated in this report as finding 2010-002.
2008-003	ORC 5705.41(B), expenditures in excess of appropriations	No	Not Corrected. This finding has been repeated in this report as finding 2010-001.
2008-004	Financial Reporting, due to errors on financial statements	No	Not Corrected. This finding has been repeated in this report as finding 2010-003.

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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
DECEMBER 6, 2011