



Dave Yost • Auditor of State



VILLAGE OF KALIDA  
PUTNAM COUNTY  
DECEMBER 31, 2016 AND 2015

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Kalida  
Putnam County  
110 South Broad Street  
P.O. Box 495  
Kalida, Ohio 45853-0495

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 Kalida, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***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 such 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 2 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 *Additional Opinion Qualification* and *Unmodified Opinions* paragraphs 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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification***

Municipal income taxes in the General Fund are reported at \$534,715, and \$511,771 for the years ended December 31, 2016 and 2015, respectively, which are 62 percent of General Fund receipts for the year ended December 31, 2016, and 63 percent of General Fund receipts for the year ended December 31, 2015. Municipal income taxes in the Enterprise Funds are reported at \$371,583 and \$355,637 for the years ended December 31, 2016 and 2015 respectively, which is 47 percent of total Enterprise Funds receipts for the year ended December 31, 2016, and 40 percent of total Enterprise Funds receipts for the year ended December 31, 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as municipal income taxes. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements as it relates to the General and Enterprise Funds referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Kalida, Putnam County, Ohio as of December 31, 2016 and 2015, 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 2.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the Special Revenue Funds, of the Village of Kalida, Putnam County, Ohio as of December 31, 2016 and 2015, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 21, 2018

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**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$102,832	\$15,693	\$118,525
Municipal Income Tax	534,715		534,715
Intergovernmental	52,003	83,519	135,522
Special Assessments	2,527	29,515	32,042
Charges for Services	49,622		49,622
Fines, Licenses and Permits	2,107		2,107
Earnings on Investments	1,758	62	1,820
Miscellaneous	43,418	43,026	86,444
<i>Total Cash Receipts</i>	<u>788,982</u>	<u>171,815</u>	<u>960,797</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	64,877	90,724	155,601
Leisure Time Activities	6,000	16,028	22,028
Basic Utility Services	486		486
Transportation		18,163	18,163
General Government	325,915	508	326,423
Capital Outlay	177,389	17,313	194,702
Debt Service:			
Principal Retirement	4,350	16,272	20,622
Interest and Fiscal Charges		3,277	3,277
<i>Total Cash Disbursements</i>	<u>579,017</u>	<u>162,285</u>	<u>741,302</u>
<i>Excess of Receipts Over Disbursements</i>	<u>209,965</u>	<u>9,530</u>	<u>219,495</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		83,500	83,500
Transfers Out	(83,500)		(83,500)
Advances In	69,049	19,549	88,598
Advances Out	(37,549)	(19,549)	(57,098)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(52,000)</u>	<u>83,500</u>	<u>31,500</u>
<i>Net Change in Fund Cash Balances</i>	157,965	93,030	250,995
<i>Fund Cash Balances, January 1</i>	<u>829,774</u>	<u>105,529</u>	<u>935,303</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		196,284	196,284
Committed		2,793	2,793
Assigned	883,400		883,400
Unassigned	104,339	(518)	103,821
<i>Fund Cash Balances, December 31</i>	<u>\$987,739</u>	<u>\$198,559</u>	<u>\$1,186,298</u>

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

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$367,570
<b>Operating Cash Disbursements</b>	
Personal Services	102,416
Employee Fringe Benefits	58,803
Contractual Services	86,630
Supplies and Materials	38,336
<i>Total Operating Cash Disbursements</i>	286,185
<i>Operating Income</i>	81,385
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	371,583
Other Debt Proceeds	38,460
Capital Outlay	(310,578)
Principal Retirement	(22,336)
<i>Total Non-Operating Receipts (Disbursements)</i>	77,129
<i>Income before Advances</i>	158,514
Advances In	18,000
Advances Out	(49,500)
<i>Net Change in Fund Cash Balances</i>	127,014
<i>Fund Cash Balances, January 1</i>	497,242
<i>Fund Cash Balances, December 31</i>	\$624,256

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

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1 - Reporting Entity**

The Village of Kalida (the Village), Putnam County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management (OPRM), a risk sharing pool available to Ohio local governments. Note 8 to the statements provide additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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:

***Parks and Recreation Fund*** This fund receives farm rent income and transfers from the General Fund for the construction of the park and repayment of a loan for the purchase of park land.

***Special Levy Police Protection Fund*** This fund receives property tax revenue and transfers from the General Fund to pay the costs of providing police protection services to the Village residents.

***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.

VILLAGE OF KALIDA  
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

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

**Enterprise Capital Improvement Fund** This fund receives municipal income tax, grants, and loan proceeds to fund water and sewer related projects.

**Basis of Accounting**

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.

**Budgetary Process**

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

**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. Unencumbered appropriations lapse at year end.

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

**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 2016 budgetary activity appears in Note 4.

**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 certificate of deposits at cost.

**Capital Assets**

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

VILLAGE OF KALIDA  
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)

**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.

**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:

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

**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.

**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.

**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.

**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.

**Note 3 – Compliance**

Contrary to Ohio law, in 2016:

- The Village distributed monies improperly between Village funds;
- Appropriations were incorrectly posted in various funds;
- Expenditures exceeded appropriation authority in the Water Operating Fund;
- Income tax records were not maintained as required; and
- Contrary to Village Ordinance, monies were not transferred to the Water Tower Fund as required.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$707,185	\$858,031	\$150,846
Special Revenue	471,047	274,864	(196,183)
Enterprise	631,500	795,613	164,113
Total	\$1,809,732	\$1,928,508	\$118,776

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,503,491	\$704,364	\$799,127
Special Revenue	496,022	183,304	312,718
Enterprise	765,952	671,543	94,409
Total	\$2,765,465	\$1,559,211	\$1,206,254

**Note 5 – 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:

Demand deposits	2016 \$671,357
Certificates of deposit	1,139,197
Total deposits	\$1,810,554

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

**Note 6 – Taxes**

***Property Taxes***

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.

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

***Income Taxes***

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.

**Note 7 – Interfund Balances**

Outstanding advances at December 31, 2016, consisted of \$35,975 advanced from the General Fund to the Water Operating Fund.

**Note 8 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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 equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

***Ohio Police and Fire Retirement System***

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 10 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Note 11 – Debt**

Debt outstanding at December 31, 2016 was as follows:

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$562,195	
Ohio Water Development Authority Loan	19,622	7.000%
General Obligation Loan	53,890	4.875%
Total	\$635,707	

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, several street storm sewer improvement projects, a water treatment plant equipment upgrade, and a sewer force main replacement project. The loans will be repaid in semiannual installments over terms ranging from 10 to 30 years.

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.

***Amortization***

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

Year ending December 31:	OPWC Loans	OWDA Loan	General Obligation Loan
2017	\$30,805	\$21,105	\$19,549
2018	32,038		19,549
2019	32,037		19,542
2020	29,910		
2021	27,782		
2022-2026	138,912		
2027-2031	138,911		
2032-2036	105,911		
2037-2041	12,328		
2042-2046	12,328		
2047	1,233		
Total	\$562,195	\$21,105	\$58,640

**Note 12 – Miscellaneous Revenue**

Miscellaneous revenue in the General Fund in 2016 primarily consisted of payments in lieu of taxes. Miscellaneous revenue in the Special Revenue Funds in 2016 primarily consisted of payments in lieu of taxes and donations.

**Note 13 – Interfund Transfers**

During 2016, the following transfers were made:

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

		<u>Transfers Out</u>
		<u>General</u>
Transfers In	Governmental Funds:	
	Park and Recreation	\$13,000
	Special Levy Police Protection	70,500
	Total	<u>\$83,500</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

**Note 14 – Interfund Advances**

During 2016, the following advances were made:

<u>Advances from the General Fund to:</u>	<u>Amount</u>
Governmental Fund:	
Parks and Recreation	<u>\$19,549</u>
Proprietary Funds:	
Sewer Operating	16,000
Water Operating	2,000
Total Proprietary Funds	<u>18,000</u>
Total	<u>\$37,549</u>

During 2016, the following advances were returned:

<u>Advances returned to the General Fund from:</u>	<u>Amount</u>
Governmental Fund:	
Parks and Recreation	<u>\$19,549</u>
Proprietary Funds:	
Sewer Operating	16,500
Water Operating	33,000
Total Proprietary Funds	<u>49,500</u>
Total	<u>\$69,049</u>

**VILLAGE OF KALIDA  
PUTNAM 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	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$99,489	\$15,161	\$114,650
Municipal Income Tax	511,771		511,771
Intergovernmental	67,208	147,203	214,411
Special Assessments	5,828	4,131	9,959
Charges for Services	53,804		53,804
Fines, Licenses and Permits	2,013		2,013
Earnings on Investments	1,827	11	1,838
Miscellaneous	47,895	23,743	71,638
<i>Total Cash Receipts</i>	<u>789,835</u>	<u>190,249</u>	<u>980,084</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	65,673	158,095	223,768
Leisure Time Activities	6,000	26,386	32,386
Basic Utility Services	1,081		1,081
Transportation		31,184	31,184
General Government	341,767	361	342,128
Capital Outlay	18,074	648,673	666,747
Debt Service:			
Principal Retirement	13,050	15,510	28,560
Interest and Fiscal Charges		4,040	4,040
<i>Total Cash Disbursements</i>	<u>445,645</u>	<u>884,249</u>	<u>1,329,894</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>344,190</u>	<u>(694,000)</u>	<u>(349,810)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		670,789	670,789
Transfers Out	(670,789)		(670,789)
Advances In	21,275	9,775	31,050
Advances Out	(56,750)	(9,775)	(66,525)
Other Financing Sources		77,502	77,502
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(706,264)</u>	<u>748,291</u>	<u>42,027</u>
<i>Net Change in Fund Cash Balances</i>	<u>(362,074)</u>	<u>54,291</u>	<u>(307,783)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,191,848</u>	<u>51,238</u>	<u>1,243,086</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		105,330	105,330
Committed		199	199
Assigned	792,815		792,815
Unassigned	36,959		36,959
<i>Fund Cash Balances, December 31</i>	<u>\$829,774</u>	<u>\$105,529</u>	<u>\$935,303</u>

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

VILLAGE OF KALIDA  
PUTNAM COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$328,083
<b>Operating Cash Disbursements</b>	
Personal Services	92,628
Employee Fringe Benefits	47,465
Contractual Services	94,544
Supplies and Materials	69,329
<i>Total Operating Cash Disbursements</i>	303,966
<i>Operating Income</i>	24,117
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	355,637
Intergovernmental	125,000
Other Debt Proceeds	35,510
Capital Outlay	(525,304)
Principal Retirement	(64,574)
Interest and Other Fiscal Charges	(9,206)
<i>Total Non-Operating Receipts (Disbursements)</i>	(82,937)
<i>Loss before Advances</i>	(58,820)
Advances In	46,975
Advances Out	(11,500)
<i>Net Change in Fund Cash Balances</i>	(23,345)
<i>Fund Cash Balances, January 1</i>	520,587
<i>Fund Cash Balances, December 31</i>	\$497,242

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

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Note 1 - Reporting Entity**

The Village of Kalida (the Village), Putnam County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management (OPRM), a risk sharing pool available to Ohio local governments. Note 8 to the statements provide additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 Fund:

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

***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.

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

VILLAGE OF KALIDA  
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)

**Enterprise Capital Improvement Fund** This fund receives municipal income tax, grants, and loan proceeds to fund water and sewer related projects.

**Basis of Accounting**

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.

**Budgetary Process**

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

**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. Unencumbered appropriations lapse at year end.

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

**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 budgetary activity appears in Note 4.

**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 certificate of deposits at cost.

**Capital Assets**

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

**Accumulated Leave**

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

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**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:

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

**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.

**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.

**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.

**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.

**Note 3 – Compliance**

Contrary to Ohio law, in 2015:

- The Village distributed monies improperly between Village funds;
- Appropriations were incorrectly posted in various funds;
- Expenditures exceeded appropriation authority in the Street Construction Maintenance and Repair Fund and the Water Operating Fund;
- Income tax records were not maintained as required;
- Contrary to an Ohio Water Development Authority (OWDA) debt agreement, water charges were not sufficient to meet debt obligations; and
- Contrary to Village Ordinance, monies were not transferred to the Water Tower Fund as required.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$791,284	\$811,110	\$19,826
Special Revenue	876,212	948,315	72,103
Enterprise	699,207	891,205	191,998
Total	\$2,366,703	\$2,650,630	\$283,927

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,503,646	\$1,176,675	\$326,971
Special Revenue	316,803	895,246	(578,443)
Enterprise	955,331	917,009	38,322
Total	\$2,775,780	\$2,988,930	(\$213,150)

**Note 5 – 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
Demand deposits	\$294,894
Certificates of deposit	1,137,651
Total deposits	\$1,432,545

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

**Note 6 – Taxes**

***Property Taxes***

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.

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

***Income Taxes***

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.

**Note 7 – Interfund Balances**

Outstanding advances at December 31, 2015, consisted of \$67,475 advanced from the General Fund to the Water Operating and Sewer Operating Funds.

**Note 8 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% 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 772 members as of December 31, 2015.

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 equity at December 31, 2015.

VILLAGE OF KALIDA  
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)

	<u>2015</u>
Assets	\$14,643,667
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$5,531,637</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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.

***Ohio Police and Fire Retirement System***

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.5% through June 30, 2015 then increased to 12.25%, for the remainder of the year of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

***Social Security***

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 10 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

**Note 11 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$531,328	
Ohio Water Development Authority Loan	39,255	7.000%
General Obligation Loan	70,162	4.875%
Total	\$640,745	

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, several street storm sewer improvement projects, a Water Operating treatment plant equipment upgrade, and a 2015 sewer force main replacement project which was not finished until 2016. The loans will be repaid in semiannual installments over terms ranging from 10 to 30 years, respectively.

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.

***Amortization***

Amortization of the above debt, including interest (all except the Ohio Public Works Commission loan for the sewer force main replacement project, which was not completed until 2016, and therefore there is no amortization schedule prepared as of December 31, 2015 for the \$35,510 borrowed as of that date) is scheduled as follows:

	OPWC Loans	OWDA Loan	General Obligation Loan
Year ending December 31:			
2016	\$7,595	\$21,294	\$19,549
2017	29,572	21,105	19,549
2018	29,572		19,549
20109	29,572		19,542
2020	27,444		
2021-2025	126,582		
2026-2030	126,582		
2031-2035	106,033		
2036-2040	12,866		
Total	\$495,818	\$42,399	\$78,189

**Note 12 – Interfund Transfers**

During 2015, the following transfers were made:

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Continued)**

		Transfers Out
		General
Transfers In	Governmental Funds:	
	Street Construction Maintenance and Repair	\$581,189
	Parks and Recreation	14,000
	Special Levy Police Protection	75,600
	Total	\$670,789

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

**Note 13 – Interfund Advances**

During 2015, the following advances were made:

<u>Advances from the General Fund to:</u>	<u>Amount</u>
Governmental Fund:	
Parks and Recreation	\$9,775
Proprietary Funds:	
Sewer Operating	30,475
Water Operating	16,500
Total Proprietary Funds	46,975
Total	\$56,750

During 2015, the following advances were returned:

<u>Advances returned to the General Fund from:</u>	<u>Amount</u>
Governmental Funds:	
Parks and Recreation	\$9,775
Proprietary Funds:	
Sewer Operating	9,500
Water Operating	2,000
Total Proprietary Funds	11,500
Total	\$21,275



# Dave Yost • Auditor of State

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

Village of Kalida  
Putnam County  
110 South Broad Street  
P.O. Box 495  
Kalida, Ohio 45853-0495

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 the Village of Kalida, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2018, 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. We also qualified our opinion due to the lack of appropriate records supporting income tax amounts recorded in the General Fund and Enterprise Fund in 2016 and 2015.

### ***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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-007 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, 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 2016-001 and 2016-005 through 2016-009.

***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 report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 21, 2018

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2016-001**

**Noncompliance and Material Weakness - Findings for Adjustment**

**Village Ordinance 2010-01-01** provides that each quarter the Village is to apply \$6,250 in water collections directly to the Water Tower Fund to be used for maintenance of the Water Tower. In 2016 and 2015, the Village only allocated \$6,250 and \$12,500, respectively, to the Water Tower Fund from collections. The remaining allocations due were incorrectly posted to the Water Operating Fund, resulting in the Water Operating Fund owing the Water Tower Fund \$31,250 as of December 31, 2016.

This error was caused by a lack of monitoring fund activity to ensure the proper allocations are being made. Failure to properly monitor these allocations could result in funds being used for purposes not intended or authorized by Council.

The Village has decided not to correct this error at this time since there was only \$25,739 in the Water Operating Fund as of December 31, 2016. This error has no effect on the financial statements as presented because the funds are reported within the same Enterprise fund type.

In accordance with the foregoing facts, we hereby issue a finding for adjustment for \$31,250 from the Water Operating Fund to the Water Tower Fund.

We recommend the Village record the adjustment to the Village's accounting records for the amount listed above.

**FINDING NUMBER 2016-002**

**Material Weakness - Monitoring of Financial Statements**

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The Village lacked a policy regarding financial review which contributed to the following errors:

- The General Fund balance for subsequent appropriations in excess of estimated receipts was not correctly classified as assigned fund balance in 2016 or 2015 in the amounts of \$883,400 and \$792,815, respectively.
- In 2016 and 2015, the Special Revenue Fund balances of the Street Construction Maintenance and Repair Fund, State Highway Fund, and Special Levy Police Protection Fund were incorrectly classified as committed instead of restricted in the amounts of \$196,284 and \$105,330, respectively.
- In 2016 and 2015, the Village was the beneficiary of \$38,460 and \$160,510, respectively, of Ohio Public Works Commission (OPWC) money sent directly to the vendor. The Fiscal Officer did not record this activity in the accounting system in the Enterprise Capital Improvement Fund in 2016 and 2015.

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 in amounts ranging from \$38 to \$883,400.

We recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual. Also, the Fiscal Officer should also review Auditor of State Bulletin 2011-004 for information on GASB Statement No. 54, to help ensure that all accounts are being properly posted to the financial statements. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council to help ensure that errors and omissions are detected and corrected.

**FINDING NUMBER 2016-003**

**Material Weakness - Budgeted Receipts Posted and Approved**

The Fiscal Officer did not always post budgeted receipts as listed on the Certificate of Estimated Resources. Failure to post correct budget amounts could inhibit Council's ability to monitor revenue activity. We noted difference between amounts per the certificate of estimated resources and posted amounts in the following funds:

	Approved Estimated <u>Receipts</u>	Posted Estimated <u>Receipts</u>	Difference <u>Over/(Under)</u>
<b>For the Year Ended December 31, 2016</b>			
General Fund	\$707,185	\$761,215	\$54,030
Special Levy Police Protection Fund	96,967	89,816	(7,151)
Water Operating Fund	191,000	234,719	43,719
<b>For the Year Ended December 31, 2015</b>			
General Fund	\$791,284	\$869,284	\$78,000
Special Levy Police Protection Fund	112,172	99,434	(12,738)
Water Operating Fund	253,245	252,569	(676)

Lack of an adequate review of the budgetary reports by the Council Members resulted in posting incorrect budgeted receipts to their system. This also resulted in the Village posting incorrect budgeted receipts to the budgetary notes to the financial statements. These notes were corrected to reflect the approved amounts.

The Village should develop policies and implement procedures to assure that all budgeted receipts posted agree to the certificate of estimated resources.

**FINDING NUMBER 2016-004**

**Material Weakness – Income Tax Deposits**

Public money should be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

In addition, if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices could adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit should be made no later than 3 business days after receiving it. Only the legislative authority (Council) may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official should then deposit the money on the first business day following the date of receipt.

Depositing and receipting public monies timely, is necessary to safeguard the public monies, and to accurately reflect the financial position of the Village.

The Village received \$49,968 in income tax monies between October and December 2016 that was not deposited or receipted until March 13, 2017. In addition, income tax deposits were not deposited timely throughout 2016 and the money was not properly safeguarded. In some cases income tax checks were lost and the loss would not have been detected by the fiscal officer if the taxpayer had not complained about the checks not being cashed. The lack of timely depositing and receipting of monies received resulted in significantly understating the revenues and cash balance of the Village as of December 31, 2016. In the addition, this has resulted in a possible loss of revenue for lost checks. The lack of monitoring by Village Council contributed to this situation being undetected and uncorrected. The Village records and the financial statements have been adjusted to correctly reflect the \$49,968 as 2016 income tax revenues.

We recommend the Village deposit and receipt all monies the day received or at least the first business day after receiving it.

#### **FINDING NUMBER 2016-005**

##### **Noncompliance and Material Weakness**

**Ohio Admin. Code 117-2-02(A)** provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. Additionally, Ohio Admin. Code 117-2-02(B) provides that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements.

The Village should maintain complete supporting documentation for all received payments relating to income tax. For example, a ledger or system documenting pertinent information for each payment received may be used along with daily and monthly and annual totals. All income tax return documents received should be kept in files by payee, and each deposit slip should contain the list of payees with the amount paid by each.

Furthermore, **Village of Kalida Ordinance 12-1-95** imposes late fees and penalties on taxpayers who do not file an income tax return within the time period for filing allowed by law.

In 2016 and 2015, the Village did not utilize a subsidiary ledger for income tax collections, all income tax return documents were filed in chronological order of when received, and deposit slips did not always contain a detail of payments making up the deposit. Without a subsidiary ledger, there was no report indicating the taxpayers who had paid the income tax, the amount paid by each taxpayer, or the amount still owed by each taxpayer. Since the Village did not maintain income tax ledgers, the Fiscal Officer was unable to create a list of delinquent tax payers. Accordingly, late fees and penalties were not assessed for tax payers that failed to file by the deadline, and no effort was made by the Fiscal Officer to collect from delinquent tax payers.

Given the situation, it is not possible to determine whether all payments have been properly accounted for. The lack of a subsidiary ledger recording all amounts collected may result in lost revenues due to the Village and could also result in errors or fraud not being detected in a timely manner.

To help improve accountability and ensure that all income tax receipts are properly recorded, the Village should maintain a subsidiary ledger to track all income tax payments. Additionally, the Fiscal Officer should file all returns by payee and complete each deposit slip with a detail of payee amounts included. Also, the subsidiary ledger should be periodically reviewed for accuracy and reconciled to the Fiscal Officer's recorded income tax revenues on the Village accounting system.

#### FINDING NUMBER 2016-006

##### Noncompliance and Material Weakness

**Ohio Rev. Code § 5705.10(D)** requires that all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Specifically, the aforementioned section requires that all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose be paid into a special fund for such purpose. In addition, Ohio Rev. Code § 5705.10(I) provides that money paid into any fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

- In 2015, a reimbursement for prior year road work in the amount of \$77,502 was posted as miscellaneous revenue in the General Fund instead of as other financing source in the Street Construction, Maintenance, and Repair Fund.
- The Special Levy Police Protection Fund had a deficit balance of \$518 at December 31, 2016.
- In 2016, the Fiscal Officer improperly posted state and local government highway monies in the General Fund instead of distributing between the Street Construction, Maintenance, and Repair Fund and the State Highway Fund in the amounts of \$1,585 and \$129, respectively.
- In 2016, the Fiscal Officer improperly distributed gasoline tax and other fees in the amount of \$3,059 in the State Highway Fund instead of in the Street Construction, Maintenance, and Repair Fund.
- In 2015, the Fiscal Officer improperly posted state and local government highway monies in the General Fund instead of distributing between the Street Construction, Maintenance, and Repair Fund and the State Highway Fund in the amounts of \$1,806 and \$146, respectively.

The lack of a policy regarding financial review contributed to the above errors occurring without detection. The accounting records and financial statements were adjusted to reflect these misstatements.

Improper posting of revenues could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly posted in the accounting ledgers so that Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, Village Council should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

#### FINDING NUMBER 2016-007

##### Noncompliance and Material Weakness

**Ohio Rev. Code § 5705.40** provides that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.

The appropriations recorded in the Village's ledgers differed from the legally adopted appropriation amounts approved by Council and submitted to the County Budget Commission in the following funds:

	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Difference Over/(Under)</u>
<b>Fund:</b>			
<b>For the Year Ended December 31, 2016</b>			
General Fund	\$1,500,000	\$663,324	\$(836,676)
Special Levy Police Protection Fund	95,800	88,161	(7,639)
Water Operating Fund	138,925	185,325	46,400
<b>For the Year Ended December 31, 2015</b>			
General Fund	\$1,500,000	\$1,118,471	\$(381,529)
Special Levy Police Protection Fund	111,000	93,914	(17,086)
Water Operating Fund	183,000	248,429	65,429

These errors occurred in the posting of appropriations as a result of not posting appropriations as approved. Also, members of Council did not perform an adequate review of the budgetary reports. The budgetary note to the financial statements was corrected to reflect the approved amounts.

We recommend all appropriations be approved and filed with the County Auditor prior to posting the appropriation to the accounting system so expenditures can be monitored for compliance with the Ohio Revised Code. We also recommend the Council review budget versus actual reports and compare posted appropriations to the appropriation measure approved by Council.

**FINDING NUMBER 2016-008**

**Noncompliance**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Management did not sufficiently monitor budget versus actual reports to ensure disbursements did not exceed Board approved appropriations.

The following funds had disbursements in excess of appropriations:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>For the Year Ended December 31, 2016:</b>			
Water Operating Fund	\$141,225	\$187,618	\$46,393
<b>For the Year Ended December 31, 2015:</b>			
Street Construction, Maintenance, and Repair Fund	\$89,000	\$675,661	\$586,661
Water Operating Fund	185,070	250,410	65,340

These errors were a result of inadequate policies and procedures in approving and reviewing budgetary information. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

**FINDING NUMBER 2016-009**

**Noncompliance**

**Ohio Water Development Authority (OWDA) Cooperation Agreement for Construction Maintenance and Operation of State Waste Project § 4.3** states that the Village will prescribe and charge rates for the services of the water and sewer system that shall result in pledged revenues at least adequate to provide for payments required to remit its debt obligation payments to OWDA.

The Village Council failed to review and revise the water rates to ensure compliance with the OWDA agreement.

Operating income of \$19,124, generated in 2015, from water charges was not adequate to provide for payments required to remit the Village's debt obligations of \$62,720 for 2015 to OWDA. As a result, the Village had to advance monies from the General Fund to subsidize its debt obligations.

We recommend the Village Council review water operations in order to determine if rate increases are needed to generate adequate revenues to meet its debt obligation to OWDA.

**Officials' Response:**

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

**VILLAGE OF KALIDA  
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material weakness for lack of monitoring of financial transactions due to errors in the financial statements.	Not Corrected. Reissued as Finding 2016-002 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-002	Material weakness for not correctly posting budgeted receipts.	Not Corrected. Reissued as Finding 2016-003 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-003	Material weakness and noncompliance of Ohio Rev. Code § 5705.42 for not posting on behalf monies.	Not Corrected. Reissued as Finding 2016-002 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-004	Material weakness and noncompliance of Ohio Rev Code § 5705.10(D) for not posting monies to the correct funds.	Not Corrected. Reissued as Finding 2016-006 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-005	Material weakness and noncompliance of Ohio Rev. Code § 5705.40 for not properly posting appropriations.	Not Corrected. Reissued as Finding 2016-007 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-006	Noncompliance of OWDA agreement for not passing utility rates that were sufficient to pay debt obligations.	Not Corrected. Reissued as Finding 2016-009 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-007	Material weakness and noncompliance of Ohio Rev. Code § 5705.41(D) for not properly certifying expenditures.	Partially Corrected and addressed in a Management Letter comment.	
2014-008	Noncompliance of Ohio Rev. Code § 5705.39 for appropriations exceeding estimated resources.	Corrective action taken and finding is fully corrected.	

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# Dave Yost • 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  
MARCH 8, 2018