



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF KALIDA  
PUTNAM COUNTY  
DECEMBER 31, 2018 AND 2017**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2018 .....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2018 .....	4
Notes to the Financial Statements – For the Year Ended December 31, 2018 .....	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2017 .....	13
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2017 .....	14
Notes to the Financial Statements – For the Year Ended December 31, 2017 .....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings.....	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	28

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2018 and 2017.

### ***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 *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Kalida, Putnam County, Ohio as of December 31, 2018 and 2017, 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 September 11, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

September 11, 2019

**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, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$118,823	\$19,862		\$138,685
Municipal Income Tax	548,864			548,864
Intergovernmental	65,162	90,939	\$239,140	395,241
Special Assessments		27,784		27,784
Charges for Services	80,699			80,699
Fines, Licenses and Permits	2,491			2,491
Earnings on Investments	1,842	77		1,919
Miscellaneous	57,424	53,552		110,976
<i>Total Cash Receipts</i>	<u>875,305</u>	<u>192,214</u>	<u>239,140</u>	<u>1,306,659</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	67,596	118,114		185,710
Leisure Time Activities	6,000	10,008		16,008
Transportation		29,245		29,245
General Government	398,251	225		398,476
Capital Outlay	17,436	247,878	602,784	868,098
Debt Service:				
Principal Retirement	10,783	49,738		60,521
Interest and Fiscal Charges		300		300
<i>Total Cash Disbursements</i>	<u>500,066</u>	<u>455,508</u>	<u>602,784</u>	<u>1,558,358</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>375,239</u>	<u>(263,294)</u>	<u>(363,644)</u>	<u>(251,699)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes			320,000	320,000
Transfers In		210,500		210,500
Transfers Out	(210,500)			(210,500)
Advances In	7,000	18,528		25,528
Advances Out	(23,028)	(7,000)		(30,028)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(226,528)</u>	<u>222,028</u>	<u>320,000</u>	<u>315,500</u>
<i>Net Change in Fund Cash Balances</i>	148,711	(41,266)	(43,644)	63,801
<i>Fund Cash Balances, January 1</i>	<u>372,980</u>	<u>144,377</u>	<u>100,000</u>	<u>617,357</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		102,694		102,694
Committed		417	56,356	56,773
Assigned	491,279			491,279
Unassigned	30,412			30,412
<i>Fund Cash Balances, December 31</i>	<u>\$521,691</u>	<u>\$103,111</u>	<u>\$56,356</u>	<u>\$681,158</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, 2018**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$364,509
<b>Operating Cash Disbursements</b>	
Personal Services	118,848
Employee Fringe Benefits	84,770
Contractual Services	93,122
Supplies and Materials	62,525
<i>Total Operating Cash Disbursements</i>	359,265
<i>Operating Income</i>	5,244
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	381,876
Miscellaneous Receipts	11,597
Capital Outlay	(171,677)
Principal Retirement	(15,706)
<i>Total Non-Operating Receipts (Disbursements)</i>	206,090
<i>Income before Advances</i>	211,334
Advances In	4,500
<i>Net Change in Fund Cash Balances</i>	215,834
<i>Fund Cash Balances, January 1</i>	477,025
<i>Fund Cash Balances, December 31</i>	\$692,859

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



**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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 a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 8 to the financial statements provides 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 which are organized on a fund type basis.

***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:

***Street Construction Maintenance and Repair Fund*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Parks and Recreation Fund*** The parks and recreation 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*** The special levy police protection fund receives property tax revenue and transfers from the General Fund to pay the costs of providing police protection services to the Village residents.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Capital Projects Fund** The capital projects fund accounts for and reports proceeds of Ohio Public Works Commission grants and sale of notes.

**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** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village

**Sewer Fund** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Enterprise Capital Improvement Fund** The enterprise capital improvement fund receives municipal income tax revenue 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 2018 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.

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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The Village values certificates of deposit 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.

**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, budgetary expenditures exceeded appropriation authority in the Street Construction Maintenance and Repair, Parks and Recreation, and Water Operating Funds by \$129,701, \$92,298, and \$79,764, respectively, for the year ended December 31, 2018. Contrary to Village Ordinance, monies were not transferred to the Water Tower Fund as required.

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$857,800	\$882,305	\$24,505
Special Revenue	213,600	421,242	207,642
Capital Projects		559,140	559,140
Enterprise	780,400	762,482	(17,918)
Total	\$1,851,800	\$2,625,169	\$773,369

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,305,460	\$736,906	\$568,554
Special Revenue	240,871	463,660	(222,789)
Capital Projects	659,140	602,784	56,356
Enterprise	736,505	548,701	187,804
Total	\$2,941,976	\$2,352,051	\$589,925

**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:

	2018
Demand deposits	\$531,548
Certificates of deposit	60,059
Other time deposits (savings and NOW accounts)	782,410
Total deposits	\$1,374,017

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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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.

***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, from the General Fund, at December 31, 2018 consisted of \$18,528 advanced to the Parks and Recreation Fund to provide working capital for projects, \$15,000 advanced to the Water Operating Fund to provide funding for loan payments, and \$4,500 advanced to the Sewer Operating Fund to provide funding for loan payments.

**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. 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. Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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.

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u><u>\$5,292,512</u></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 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

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

The 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 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

***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, 2018.

**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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**Note 11 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$803,333	0.00%
General Obligation Loan	9,601	4.875%
Total	\$812,934	

The Ohio Public Works Commission loans relate to a sanitary sewer lift station replacement, water treatment plant equipment upgrades, sewer force main replacement, Front, Plum, and Second Streets sewer improvements, Ralph and Dray Streets storm sewer improvements, and Fifth Street reconstruction. The loans will be repaid in semiannual installments over terms ranging from 10 to 30 years.

The 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	General Obligation Loan
2019	\$24,019	\$9,684
2020	45,910	
2021	43,782	
2022	43,782	
2023	43,782	
2024-2028	218,911	
2029-2033	218,911	
2034-2038	135,278	
2039-2043	20,328	
2044-2048	8,630	
Total	\$803,333	\$9,684

**Note 12 – Interfund Transfers**

During 2018, the following transfers were made:

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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Fund	Amount
<b>General Fund Transfer Out to:</b>	
Street Construction Maintenance and Repair Fund	\$83,000
Parks and Recreation Fund	40,000
Special Levy Policy Protection Fund	87,500
Total General Fund Transfers	\$210,500

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 – Miscellaneous Receipts**

Miscellaneous receipts in the General Fund primarily consisted of payments in lieu of taxes, rebates, and insurance refunds. Miscellaneous revenue in the Special Revenue Fund primarily consisted of park donations.



**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, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$112,293	\$19,115		\$131,408
Municipal Income Tax	521,382			521,382
Intergovernmental	46,295	250,642	\$195,371	492,308
Special Assessments		1,455		1,455
Charges for Services	83,276			83,276
Fines, Licenses and Permits	1,757			1,757
Earnings on Investments	2,041	63		2,104
Miscellaneous	58,471	44,668		103,139
<i>Total Cash Receipts</i>	<u>825,515</u>	<u>315,943</u>	<u>195,371</u>	<u>1,336,829</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	69,505	99,713		169,218
Leisure Time Activities	4,500	87,032		91,532
Transportation		17,050		17,050
General Government	468,338	467		468,805
Capital Outlay	76,012	878,425	195,371	1,149,808
Debt Service:				
Principal Retirement	10,783	16,349		27,132
Interest and Fiscal Charges		3,200		3,200
<i>Total Cash Disbursements</i>	<u>629,138</u>	<u>1,102,236</u>	<u>195,371</u>	<u>1,926,745</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>196,377</u>	<u>(786,293)</u>		<u>(589,916)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		725,111	100,000	825,111
Transfers Out	(825,111)			(825,111)
Advances In	58,391	44,416		102,807
Advances Out	(44,416)	(37,416)		(81,832)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(811,136)</u>	<u>732,111</u>	<u>100,000</u>	<u>20,975</u>
<i>Net Change in Fund Cash Balances</i>	<u>(614,759)</u>	<u>(54,182)</u>	<u>100,000</u>	<u>(568,941)</u>
<i>Fund Cash Balances, January 1</i>	<u>987,739</u>	<u>198,559</u>		<u>1,186,298</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		141,592		141,592
Committed		2,785	100,000	102,785
Assigned	372,980			372,980
<i>Fund Cash Balances, December 31</i>	<u>\$372,980</u>	<u>\$144,377</u>	<u>\$100,000</u>	<u>\$617,357</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, 2017**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$340,970
<b>Operating Cash Disbursements</b>	
Personal Services	107,502
Employee Fringe Benefits	59,504
Contractual Services	77,749
Supplies and Materials	53,635
<i>Total Operating Cash Disbursements</i>	298,390
<i>Operating Income</i>	42,580
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	362,317
Miscellaneous Receipts	5,061
Capital Outlay	(510,371)
Principal Retirement	(25,843)
<i>Total Non-Operating Receipts (Disbursements)</i>	(168,836)
<i>Loss before Advances</i>	(126,256)
Advances Out	(20,975)
<i>Net Change in Fund Cash Balances</i>	(147,231)
<i>Fund Cash Balances, January 1</i>	624,256
<i>Fund Cash Balances, December 31</i>	\$477,025

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

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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 a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 8 to the financial statements provides 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 which are organized on a fund type basis.

***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:

***Street Construction Maintenance and Repair Fund*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Parks and Recreation Fund*** The parks and recreation 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.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

***Capital Projects Fund*** The capital projects fund receives money through transfers from the General Fund and accounts for and reports proceeds of Ohio Public Works Commission grants.

***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:

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**Water Fund** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village

**Enterprise Capital Improvement Fund** The enterprise capital improvement fund receives municipal income tax revenue 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 2017 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 certificates of deposit 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, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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**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, budgetary expenditures exceeded appropriation authority in the Street Construction Maintenance and Repair, Permissive Motor Vehicle License Tax, Parks and Recreation, and Water Operating Funds by \$373,651, \$96,340, \$189,868, and \$78,805, respectively, for the year ended December 31, 2017. 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, 2017 follows:

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$616,600	\$883,906	\$267,306
Special Revenue	547,695	1,085,470	537,775
Capital Projects	50,000	295,371	245,371
Enterprise	684,000	708,348	24,348
Total	\$1,898,295	\$2,973,095	\$1,074,800

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,504,298	\$1,504,125	\$173
Special Revenue	496,270	1,141,523	(645,253)
Capital Projects	245,371	195,371	50,000
Enterprise	727,659	859,084	(131,425)
Total	\$2,973,598	\$3,700,103	(\$726,505)

**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:

	2017
Demand deposits	\$253,283
Certificates of deposit	59,586
Other time deposits (savings and NOW accounts)	781,513
Total deposits	\$1,094,382

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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

***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**

During 2017, the Village advanced \$44,416 from the General Fund to the Parks and Recreation Fund. The Village then returned \$37,416 of this amount during 2017. Also, during 2017, the Village returned \$20,975, to the General Fund from the Water Operating Fund. This was an outstanding advance from 2016.

Outstanding advances from the General Fund at December 31, 2017 consisted of \$7,000 advanced to the Parks and Recreation Fund to provide working capital for projects and \$15,000 advanced to the Water Operating Fund to provide funding for loan payments.

**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. 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. Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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.

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u><u>\$5,292,512</u></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 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

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

The 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 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

***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, 2017.

**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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.



**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 11 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$531,390	0.00%
General Obligation Loan	36,894	4.875%
Total	\$568,284	

The Ohio Public Works Commission loans relate to a sanitary sewer lift station replacement, water treatment plant equipment upgrades, sewer force main replacement, Front, Plum, and Second Streets sewer improvements, Ralph and Dray Streets storm sewer improvements, and Fifth Street reconstruction. The loans will be repaid in semiannual installments over terms ranging from 10 to 30 years.

The 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:

	OPWC Loans	General Obligation Loan
2018	\$32,038	\$19,642
2019	32,037	19,549
2020	29,910	
2021	27,782	
2022	27,782	
2023-2027	138,912	
2028-2032	138,911	
2033-2037	80,595	
2038-2042	12,328	
2043-2047	11,095	
Total	\$531,390	\$39,191

**Note 12 – Interfund Transfers**

During 2017, the following transfers were made:

Fund	Amount
<b>General Fund Transfer Out to:</b>	
Street Construction Maintenance and Repair Fund	\$533,516
Parks and Recreation Fund	118,095
Special Levy Policy Protection Fund	73,500
Capital Projects Fund	100,000
Total General Fund Transfers	\$825,111

**Village of Kalida, Ohio**  
*Putnam County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

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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.

# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 11, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 2018-001 and 2018-002 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 2018-001 and 2018-003.

### ***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### ***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.



Keith Faber  
Auditor of State

Columbus, Ohio

September 11, 2019

VILLAGE OF KALIDA  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

**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 2018 and 2017, the Village only allocated \$6,250 and \$13,036, respectively, to the Water Tower Fund from collections. The remaining allocations due were incorrectly posted to the Water Operating Fund. In addition, as of December 31, 2016, the Water Operating Fund owed the Water Tower Fund \$31,250 due to similar errors reported in a previous audit period. As a result, the Water Operating Fund owes the Water Tower Fund \$61,964 as of December 31, 2018.

These errors were 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 \$10,684 in the Water Operating Fund as of December 31, 2018. 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 \$61,964 from the Water Operating Fund to the Water Tower Fund.

The Village should record the adjustment to the Village's accounting records for the amount listed above.

**Officials' Response:**

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

FINDING NUMBER 2018-002

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying financial statements:

- In 2017, permissive license tax monies in the amount of \$96,340 were incorrectly classified as property and other local taxes instead of intergovernmental revenue in the Special Revenue Permissive Motor Vehicle License Tax Fund.
- In 2018 and 2017, Ohio Public Works Commission on-behalf activity was not posted to the accounting system by the Village, which resulted in understating intergovernmental revenue, capital outlay, and appropriations in the Capital Projects Fund by \$239,140 and \$195,371,

respectively.

- In 2018 and 2017, General Fund subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned instead of assigned fund balance by \$491,279 and \$372,980, respectively.
- In 2018, Ohio Public Works Commission on-behalf activity was not posted to the accounting system by the Village, which resulted in understating loan proceeds, capital outlay, and appropriations in the Capital Projects Fund by \$320,000.
- In 2017, Budgeted Receipts in the budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission in the General, Special Revenue, Capital Projects, and Enterprise Funds by \$266,600, \$316,916, \$50,000, and \$204,746, respectively.
- In 2017, Actual Receipts in the budgetary note to the financial statements were understated by \$100,000 in the Capital Projects Fund.
- In 2017, Appropriation Authority in the budgetary note to the financial statements did not agree to amounts approved by \$631,604, \$50,000, and \$199,989 in the Special Revenue, Capital Projects, and Enterprise Funds, respectively.
- In 2017, Budgetary Expenditures in the budgetary note to the financial statements were understated by \$24,482 in the Enterprise Fund.
- In 2018, Appropriation Authority in the budgetary note to the financial statements did not agree to amounts approved by \$474,288, \$213,920, \$56,356, and \$187,803 in the General, Special Revenue, Capital Projects, and Enterprise Funds respectively.
- In 2018 and 2017, the Capital Projects Fund balance of \$56,356 and \$100,000, respectively, was incorrectly classified as restricted instead of committed.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village Handbook which contains a chart of accounts as well as Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

**Officials' Response:**

The Village will review the Village handbook and audit bulletin, and use the audited financial statement notes to complete financial statements and notes in the future. The Village will take steps to implement a checklist to make sure transactions are properly recorded in the future, as to fund and line item posting. Also, the Village will attempt to properly present appropriations and amounts from the Amended Certificate of Estimated Resources in the notes to the financial statements.

**FINDING NUMBER 2018-003**

**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.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the following funds had expenditures in excess of appropriations:

	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Difference</u>
<b><u>For the Year Ended December 31, 2018</u></b>			
Street Construction Maintenance and Repair Fund	\$96,000	\$225,701	\$129,701
Parks and Recreation Fund	19,000	111,298	92,298
Water Operating Fund	141,409	221,173	79,764
<b><u>For the Year Ended December 31, 2017</u></b>			
Street Construction Maintenance and Repair Fund	\$328,000	\$701,651	\$373,651
Permissive Motor Vehicle License Tax Fund		96,340	96,340
Parks and Recreation Fund	47,000	236,868	189,868
Water Operating Fund	140,884	219,689	78,805

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.

Village Council should frequently review expenditures and appropriations. In addition, the necessary appropriation amendments should be made, if possible, to reduce the possibility of expenditures exceeding appropriations. The Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**Officials' Response:**

The Audit Committee reviews appropriations along with disbursement and revenue reports. Council reviews a monthly Cash Summary by Fund report. The Village will utilize this information to more closely monitor disbursements and appropriations.

# Village of Kalida

110 S. Broad St.  
P. O. Box 495  
Kalida, OH 45853

Alan M. Gerdeman, Mayor  
Rita Schroeder, Fiscal Officer

Phone 419-532-3899  
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**Council Members**

Jason Birkemeier , Pres    Craig Stechschulte  
Mike Stechschulte         John Hopkins  
Logan Hanneman            Pat Trentman

**Board of Public Affairs**

John Schimmoeller, Pres  
Roger Dickman  
Ronald Knueve

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	This finding was first reported in 2015. Material weakness and noncompliance on Village Ordinance 2010-01-01 for prior audit findings for adjustments to post water collection monies to the Water Tower Fund.	Not corrected and reissued as Finding 2018-001 in this report.	The Village declined to offer an explanation for why the finding reoccurred or their planned corrective action.
2016-002	This finding was first reported in 2005. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2018-002 in this report.	The Village declined to offer an explanation for why the finding reoccurred or their planned corrective action.
2016-003	This finding was first reported in 2013. Material weakness for improperly posting budgeted receipts to the accounting system.	Partially corrected and reissued in the Management Letter.	The Village declined to offer an explanation for why the finding reoccurred or their planned corrective action.
2016-004	This finding was first reported in 2016. Material weakness for not depositing income tax monies timely.	Partially corrected and reissued in the Management Letter.	The Village declined to offer an explanation for why the finding reoccurred or their planned corrective action.
2016-005	Material weakness and noncompliance on Ohio Admin. Code 117-2-02(A) and Village Ordinance 12-1-95 for not maintaining supporting documentation and a subsidiary ledger for income tax collections.	Corrective action taken and finding is fully corrected.	



Village of Kalida  
Putnam County  
Summary Schedule of Prior Audit Findings  
Page 2

2016-006	This finding was first reported in 2013. Material weakness and noncompliance on Ohio Rev. Code § 5705.10(D) and (I) for monies posted to incorrect funds and deficit fund balance in the Special Levy Police Protection Fund.	Partially corrected and reissued in the Management Letter.	The Village declined to offer an explanation for why the finding reoccurred or their planned corrective action.
2016-007	This finding was first reported in 2013. Material weakness and noncompliance on Ohio Rev. Code § 5705.40 for improperly posting budgeted appropriations to the accounting system.	Partially corrected and reissued in the Management Letter.	The Village declined to offer an explanation for why the finding reoccurred or their planned corrective action.
2016-008	This finding was first reported in 2015. Ohio Rev. Code § 5705.41(B) for expenditures in excess of appropriations.	Not corrected and reissued as Finding 2018-003 in this report.	The Village declined to offer an explanation for why the finding reoccurred or their planned corrective action.
2016-009	Ohio Water Development Authority Loan Agreement § 4.3 for not charging sufficient rates to generate adequate revenues to cover debt payments and sewer operating costs.	Corrective action taken and finding is fully corrected.	

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
SEPTEMBER 26, 2019**