



**Auditor of State
Betty Montgomery**

VILLAGE OF KALIDA
PUTNAM COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Kalida
Putnam County
110 S. Broad St., P.O. Box 495
Kalida, OH 45853-0495

To the Village Council:

We have audited the accompanying financial statements of the Village of Kalida, Putnam County (the Village) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 8, 2003

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$46,460 | \$88,261 | | \$134,721 |
| Municipal Income Tax | 133,741 | | | 133,741 |
| Intergovernmental Receipts | 82,436 | 58,151 | \$107,671 | 248,258 |
| Charges for Services | 74,669 | 5,947 | | 80,616 |
| Fines, Licenses, and Permits | 10,372 | | | 10,372 |
| Earnings on Investments | 38,140 | 832 | | 38,972 |
| Donations | 19,976 | | | 19,976 |
| Miscellaneous | 8,987 | | | 8,987 |
| | <u>414,781</u> | <u>153,191</u> | <u>107,671</u> | <u>675,643</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 64,756 | 46,168 | | 110,924 |
| Public Health Services | 350 | | | 350 |
| Leisure Time Activities | 4,337 | | | 4,337 |
| Basic Utility Services | 1,506 | | | 1,506 |
| Transportation | | 61,402 | | 61,402 |
| General Government | 159,090 | | | 159,090 |
| Capital Outlay | 246,260 | 37,554 | 110,090 | 393,904 |
| | <u>476,299</u> | <u>145,124</u> | <u>110,090</u> | <u>731,513</u> |
| Total Receipts Over/(Under) Disbursements | <u>(61,518)</u> | <u>8,067</u> | <u>(2,419)</u> | <u>(55,870)</u> |
| Other Financing Receipts and (Disbursements): | | | | |
| Sale of Fixed Assets | 17,994 | | | 17,994 |
| Transfers-Out | (20,000) | | | (20,000) |
| | <u>(2,006)</u> | | | <u>(2,006)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (63,524) | 8,067 | (2,419) | (57,876) |
| Fund Cash Balances, January 1 | <u>509,340</u> | <u>141,224</u> | <u>2,419</u> | <u>652,983</u> |
| Fund Cash Balances, December 31 | <u>\$445,816</u> | <u>\$149,291</u> | | <u>\$595,107</u> |
| Reserves for Encumbrances, December 31 | <u>\$1,735</u> | <u>\$166</u> | | <u>\$1,901</u> |

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Enterprise |
|--|-------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$236,312 |
| Operating Cash Disbursements: | |
| Personal Services | 40,421 |
| Fringe Benefits | 14,502 |
| Contractual Services | 44,599 |
| Supplies and Materials | 46,725 |
| Capital Outlay | 411,771 |
| Total Operating Cash Disbursements | 558,018 |
| Operating Loss | (321,706) |
| Non-Operating Cash Receipts: | |
| Municipal Income Tax | 133,262 |
| Intergovernmental Receipts | 190,944 |
| Other Debt Proceeds | 146,000 |
| Other Non-Operating Receipts | 479 |
| Total Non-Operating Cash Receipts | 470,685 |
| Non-Operating Cash Disbursements: | |
| Debt Service - Principal | 67,083 |
| Debt Service - Interest | 54,843 |
| Other Non-Operating Cash Disbursements | 146,000 |
| Total Non-Operating Cash Disbursements | 267,926 |
| Disbursements Over Receipts Before Interfund Transfers | (118,947) |
| Transfers-In | 20,000 |
| Net Disbursements Over Receipts | (98,947) |
| Fund Cash Balances, January 1 | 389,086 |
| Fund Cash Balances, December 31 | \$290,139 |
| Reserve for Encumbrances, December 31 | \$8,919 |

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$48,310 | \$69,262 | | \$117,572 |
| Municipal Income Tax | 126,093 | | | 126,093 |
| Intergovernmental Receipts | 117,017 | 70,565 | \$13,920 | 201,502 |
| Charges for Services | 62,069 | | 2,671 | 64,740 |
| Fines, Licenses, and Permits | 7,878 | | | 7,878 |
| Earnings on Investments | 53,503 | 1,417 | | 54,920 |
| Donations | 31,551 | | | 31,551 |
| Miscellaneous | 10,891 | 792 | | 11,683 |
| | <u>457,312</u> | <u>142,036</u> | <u>16,591</u> | <u>615,939</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 56,445 | 50,041 | | 106,486 |
| Public Health Services | 730 | | | 730 |
| Leisure Time Activities | 4,362 | | | 4,362 |
| Basic Utility Services | 1,640 | | | 1,640 |
| Transportation | | 36,508 | | 36,508 |
| General Government | 149,327 | | | 149,327 |
| Capital Outlay | 111,168 | 8,961 | 20,539 | 140,668 |
| | <u>323,672</u> | <u>95,510</u> | <u>20,539</u> | <u>439,721</u> |
| Total Cash Disbursements | | | | |
| Total Receipts Over/(Under) Disbursements | <u>133,640</u> | <u>46,526</u> | <u>(3,948)</u> | <u>176,218</u> |
| Other Financing Disbursements: | | | | |
| Transfers-Out | (10,000) | | | (10,000) |
| Advances-Out | (200) | | | (200) |
| | <u>(10,200)</u> | | | <u>(10,200)</u> |
| Total Other Financing Disbursements | | | | |
| Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 123,440 | 46,526 | (3,948) | 166,018 |
| Fund Cash Balances, January 1 | <u>385,900</u> | <u>94,698</u> | <u>6,367</u> | <u>486,965</u> |
| Fund Cash Balances, December 31 | <u>\$509,340</u> | <u>\$141,224</u> | <u>\$2,419</u> | <u>\$652,983</u> |
| Reserves for Encumbrances, December 31 | <u>\$6,199</u> | | | <u>\$6,199</u> |

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

| | Enterprise |
|---|-------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$220,202 |
| Operating Cash Disbursements: | |
| Personal Services | 36,659 |
| Fringe Benefits | 12,117 |
| Contractual Services | 49,827 |
| Supplies and Materials | 52,593 |
| Capital Outlay | 93,085 |
| Total Operating Cash Disbursements | 244,281 |
| Operating Loss | (24,079) |
| Non-Operating Cash Receipts: | |
| Municipal Income Tax | 125,398 |
| Non-Operating Cash Disbursements: | |
| Debt Service - Principal | 62,049 |
| Debt Service - Interest | 59,878 |
| Total Non-Operating Cash Disbursements | 121,927 |
| Disbursements Over Receipts Before Interfund Transfers and Advances | (20,608) |
| Transfers-In | 10,000 |
| Advances-In | 200 |
| Net Disbursements Over Receipts | (10,408) |
| Fund Cash Balances, January 1 | 399,494 |
| Fund Cash Balances, December 31 | \$389,086 |
| Reserve for Encumbrances, December 31 | \$2,727 |

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Kalida, Putnam County (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police protection services. The Village obtains fire protection services from the Volunteer Fire Department.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Grant Fund - This fund receives federal and state grants for playground equipment and sewer line expansion to the Village's industrial park.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Capital Improvement Fund - This fund receives municipal income taxes to finance water and sewer line expansion/reconstruction and the construction of a new water tower.

Enterprise Reserve Fund - This fund loaned monies to another Village fund for the construction of a new water tower. This loan will be repaid with municipal income taxes.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2002 | 2001 |
|-------------------------|-----------|-------------|
| Demand deposits | \$36,067 | \$38,528 |
| Certificates of deposit | 849,179 | 1,003,541 |
| Total deposits | \$885,246 | \$1,042,069 |

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$358,592 | \$432,775 | \$74,183 |
| Special Revenue | 143,257 | 153,191 | 9,934 |
| Capital Projects | 107,671 | 107,671 | |
| Enterprise | 559,773 | 726,997 | 167,224 |
| Total | \$1,169,293 | \$1,420,634 | \$251,341 |

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$874,354 | \$498,034 | \$376,320 |
| Special Revenue | 266,570 | 145,290 | 121,280 |
| Capital Projects | 110,090 | 110,090 | |
| Enterprise | 908,859 | 834,863 | 73,996 |
| Total | <u>\$2,159,873</u> | <u>\$1,588,277</u> | <u>\$571,596</u> |

2001 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------------|
| General | \$301,572 | \$457,312 | \$155,740 |
| Special Revenue | 137,685 | 142,036 | 4,351 |
| Capital Projects | 18,920 | 16,591 | (2,329) |
| Enterprise | 334,500 | 355,600 | 21,100 |
| Total | <u>\$792,677</u> | <u>\$971,539</u> | <u>\$178,862</u> |

2001 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$699,534 | \$339,871 | \$359,663 |
| Special Revenue | 207,274 | 95,510 | 111,764 |
| Capital Projects | 25,287 | 20,539 | 4,748 |
| Enterprise | 696,494 | 368,935 | 327,559 |
| Total | <u>\$1,628,589</u> | <u>\$824,855</u> | <u>\$803,734</u> |

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

| | Principal | Interest Rate |
|--|-----------|---------------|
| Ohio Water Development Authority Loans | \$589,465 | 5.00% |
| Ohio Public Works Commission Loans | 75,339 | 0.00% |
| Total | \$664,804 | |

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. The loans will be repaid in semiannual installments over 20 years.

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

| | OWDA Loan #1 | OWDA Loan #2 | OPWC Loan #1 | OPWC Loan #2 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| Year ending December 31: | | | | |
| 2003 | \$72,485 | \$42,209 | \$2,653 | \$4,579 |
| 2004 | 72,485 | 42,209 | 2,653 | 4,579 |
| 2005 | 72,485 | 42,209 | 2,653 | 4,580 |
| 2006 | 72,485 | 42,209 | 2,653 | 4,580 |
| 2007 | | 42,209 | 2,653 | 4,580 |
| 2008-2012 | | 211,045 | 13,265 | 20,609 |
| 2013-2016 | | 168,838 | 5,302 | |
| Total | \$289,940 | \$590,928 | \$31,832 | \$43,507 |

In addition to the debt described above, the Village has made a loan from its Enterprise Reserve Fund to its Enterprise Debt Service Fund. This loan of \$146,000 at 4.5%, to be repaid quarterly over nine years starting in 2004, will be used to help finance the local portion of a water tower construction project. The Village intends to repay the principal and interest with municipal income tax monies.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

9. SUBSEQUENT EVENTS

The Volunteer Fire Department has been approved for a \$51,165 FEMA grant for equipment. The Volunteer Fire Department will provide the \$5,685 in local monies required by the grant. As of December 31, 2002 no grant or local monies had been received.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Kalida
Putnam County
110 S. Broad St., P.O. Box 495
Kalida, OH 45853-0495

To the Village Council:

We have audited the accompanying financial statements of the Village of Kalida, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 8, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 8, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 8, 2003.

This report is intended solely for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 8, 2003

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 2000-30269-001 | ORC § 5705.41(D) Certification of expenditures | No | Some improvement noted and this finding has been reduced to a management letter comment. |
| 2000-30269-002 | ORC § 5705.41(B) Expenditures in excess of appropriations | No | Some improvement noted and this finding has been reduced to a management letter comment. |



**Auditor of State
Betty Montgomery**

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VILLAGE OF KALIDA

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2003**