



**VILLAGE OF KALIDA
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003-2004



**Auditor of State
Betty Montgomery**

VILLAGE OF KALIDA
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2004.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

To the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 28, 2005

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the 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, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Kalida, Putnam County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 28, 2005

**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, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$54,014	\$13,972	\$67,986
Municipal Income Tax	141,354		141,354
Special Assessments	13,720		13,720
Intergovernmental Receipts	66,949	65,448	132,397
Charges for Services	55,125	1,588	56,713
Fines, Licenses, and Permits	9,300		9,300
Earnings on Investments	17,948	663	18,611
Miscellaneous	9,745		9,745
	<u>368,155</u>	<u>81,671</u>	<u>449,826</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	49,367	74,204	123,571
Public Health Services	679		679
Leisure Time Activities	8,291		8,291
Basic Utility Services	1,389		1,389
Transportation		21,911	21,911
General Government	171,909		171,909
Capital Outlay	279,402	26,606	306,008
	<u>511,037</u>	<u>122,721</u>	<u>633,758</u>
Total Cash Disbursements	<u>511,037</u>	<u>122,721</u>	<u>633,758</u>
Total Disbursements Over Receipts	<u>(142,882)</u>	<u>(41,050)</u>	<u>(183,932)</u>
Other Financing Receipts and (Disbursements):			
Advances-In	1,000		1,000
Advances-Out	(13,000)		(13,000)
	<u>(12,000)</u>		<u>(12,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(12,000)</u>		<u>(12,000)</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(154,882)	(41,050)	(195,932)
Fund Cash Balances, January 1	<u>534,811</u>	<u>153,440</u>	<u>688,251</u>
Fund Cash Balances, December 31	<u>\$379,929</u>	<u>\$112,390</u>	<u>\$492,319</u>
Reserves for Encumbrances, December 31	<u>\$27,176</u>	<u>\$8,043</u>	<u>\$35,219</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, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$256,540
Operating Cash Disbursements:	
Personal Services	44,302
Fringe Benefits	16,019
Contractual Services	56,713
Supplies and Materials	72,791
Capital Outlay	94,938
Total Operating Cash Disbursements	284,763
Operating Loss	(28,223)
Non-Operating Cash Receipts:	
Municipal Income Tax	141,354
Intergovernmental Receipts	13,584
Other Non-Operating Receipts	48,483
Total Non-Operating Cash Receipts	203,421
Non-Operating Cash Disbursements:	
Redemption of Principal	121,030
Interest and Other Fiscal Charges	42,737
Total Non-Operating Cash Disbursements	163,767
Excess of Receipts Over Disbursements Before Interfund Advances	11,431
Advances-In	13,000
Advances-Out	(1,000)
Net Receipts Over Disbursements	23,431
Fund Cash Balances, January 1	349,096
Fund Cash Balances, December 31	\$372,527
Reserve for Encumbrances, December 31	\$3,697

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, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$55,015	\$72,105	\$127,120
Municipal Income Taxes	136,201		136,201
Intergovernmental Receipts	70,091	99,559	169,650
Charges for Services	57,901	1,280	59,181
Fines, Licenses, and Permits	11,721		11,721
Earnings on Investments	20,214	483	20,697
Miscellaneous	4,573	3,185	7,758
	<u>355,716</u>	<u>176,612</u>	<u>532,328</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	40,414	60,084	100,498
Public Health Services	662		662
Leisure Time Activities	10,275		10,275
Basic Utility Services	1,669		1,669
Transportation		59,180	59,180
General Government	167,645		167,645
Capital Outlay	66,922	56,383	123,305
	<u>287,587</u>	<u>175,647</u>	<u>463,234</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	<u>68,129</u>	<u>965</u>	<u>69,094</u>
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets	41,575		41,575
Transfers-In		3,185	3,185
Transfers-Out	(18,185)		(18,185)
Other Financing Uses	(2,525)		(2,525)
	<u>20,865</u>	<u>3,185</u>	<u>24,050</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	88,994	4,150	93,144
Fund Cash Balances, January 1	445,817	149,290	595,107
Fund Cash Balances, December 31	<u><u>\$534,811</u></u>	<u><u>\$153,440</u></u>	<u><u>\$688,251</u></u>
Reserves for Encumbrances, December 31	<u><u>\$77,448</u></u>	<u><u>\$16,401</u></u>	<u><u>\$93,849</u></u>

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$243,427
Operating Cash Disbursements:	
Personal Services	39,472
Fringe Benefits	13,102
Contractual Services	41,824
Supplies and Materials	66,214
Capital Outlay	54,028
Total Operating Cash Disbursements	214,640
Operating Income	28,787
Non-Operating Cash Receipts:	
Municipal Income Tax	136,200
Non-Operating Cash Disbursements:	
Redemption of Principal	72,583
Interest and Other Fiscal Charges	48,447
Total Non-Operating Cash Disbursements	121,030
Excess of Receipts Over Disbursements Before Interfund Transfers	43,957
Transfers-In	15,000
Net Receipts Over Disbursements	58,957
Fund Cash Balances, January 1	290,139
Fund Cash Balances, December 31	<u>\$349,096</u>
Reserve for Encumbrances, December 31	<u>\$34,920</u>

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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds 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.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

Grant Fund – This fund receives grant funds for the volunteer fire department.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

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

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

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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$423,075	\$112,523
Certificates of deposit	441,771	924,824
Total deposits	\$864,846	\$1,037,347

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$317,433	\$368,155	\$50,722
Special Revenue	69,594	81,671	12,077
Enterprise	356,548	459,961	103,413
Total	\$743,575	\$909,787	\$166,212

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$850,394	\$538,213	\$312,181
Special Revenue	213,967	130,764	83,203
Enterprise	705,644	452,227	253,417
Total	\$1,770,005	\$1,121,204	\$648,801

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$321,714	\$397,291	\$75,577
Special Revenue	186,787	179,797	(6,990)
Enterprise	387,922	394,627	6,705
Total	\$896,423	\$971,715	\$75,292

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$777,735	\$385,745	\$391,990
Special Revenue	309,016	192,048	116,968
Enterprise	602,086	370,590	231,496
Total	\$1,688,837	\$948,383	\$740,454

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts are credited 50 percent to the general fund, 41 percent to the enterprise capital improvement fund, and 9 percent to the enterprise water tower debt service fund.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$452,769	7.00%
Ohio Public Works Commission Loans	60,875	
Total	\$513,644	

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

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loans	OPWC Loans
2005	\$109,627	\$7,232
2006	111,354	7,232
2007	40,760	7,232
2008	40,863	7,232
2009	40,973	7,232
2010-2014	206,828	24,715
2015-2016	83,843	
Total	\$634,248	\$60,875

In addition to the debt described above, the Village has made a loan from its Enterprise Reserve Fund to its Enterprise Water Tower Debt Fund. This loan was issued in 2002 for \$146,000 at 4.5% to be repaid quarterly over nine years starting in 2004. The loan was used, to help finance the local portion of a water tower construction project. The Village will repay the principal and interest with municipal income tax monies. At December 31, 2004 the balance remaining outstanding for this loan was \$103,565.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF KALIDA
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

	2004	2003
Assets	\$6,685,522	\$5,402,167
Liabilities	2,227,808	1,871,123
Members' Equity	\$4,457,714	\$3,531,044

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Council:

We have audited the financial statements of the Village of Kalida, Putnam County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 28, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 28, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 28, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Village Council, and is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 28, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
NOVEMBER 10, 2005**