



Dave Yost • Auditor of State

VILLAGE OF KALIDA
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Kalida, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position 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 combined cash balances of the Village of Kalida, Putnam County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Kalida adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 8, 2013

**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, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$86,257	\$12,086		\$98,343
Municipal Income Tax	355,589		\$188,286	543,875
Intergovernmental	208,074	106,822		314,896
Special Assessments		6,590		6,590
Charges for Services	62,283			62,283
Fines, Licenses and Permits	2,979			2,979
Earnings on Investments	1,663	10		1,673
Payment in Lieu of Taxes	14,493			14,493
Donations		19,549		19,549
Miscellaneous	11,927	4,700		16,627
<i>Total Cash Receipts</i>	<u>743,265</u>	<u>149,757</u>	<u>188,286</u>	<u>1,081,308</u>
Cash Disbursements				
Current:				
Security of Persons and Property	48,482	87,057		135,539
Leisure Time Activities	6,000	4,349		10,349
Basic Utility Services	1,700			1,700
Transportation	3,500	22,290		25,790
General Government	259,460	208		259,668
Capital Outlay		29,130		29,130
Debt Service:				
Principal Retirement		13,383	225,228	238,611
Interest and Fiscal Charges		6,167	4,666	10,833
<i>Total Cash Disbursements</i>	<u>319,142</u>	<u>162,584</u>	<u>229,894</u>	<u>711,620</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>424,123</u>	<u>(12,827)</u>	<u>(41,608)</u>	<u>369,688</u>
Other Financing Receipts (Disbursements)				
Insurance Settlement	37,810			37,810
Transfers In		62,000		62,000
Transfers Out	(92,000)			(92,000)
Advances In	18,550	1,000		19,550
Advances Out	(4,000)	(18,550)		(22,550)
Other Financing Sources		7,417		7,417
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(39,640)</u>	<u>51,867</u>		<u>12,227</u>
<i>Net Change in Fund Cash Balances</i>	384,483	39,040	(41,608)	381,915
<i>Fund Cash Balances, January 1</i>	<u>1,067,974</u>	<u>54,803</u>	<u>\$41,608</u>	<u>1,164,385</u>
Fund Cash Balances, December 31				
Restricted		85,901		85,901
Committed		7,942		7,942
Unassigned	1,452,457			1,452,457
<i>Fund Cash Balances, December 31</i>	<u>\$1,452,457</u>	<u>\$93,843</u>		<u>\$1,546,300</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, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$320,848
Operating Cash Disbursements	
Personal Services	86,315
Employee Fringe Benefits	36,834
Contractual Services	82,333
Supplies and Materials	74,916
<i>Total Operating Cash Disbursements</i>	280,398
<i>Operating Income</i>	40,450
Non-Operating Receipts (Disbursements)	
Municipal Income Tax	247,104
Capital Outlay	(405,192)
Principal Retirement	(37,083)
Interest and Other Fiscal Charges	(11,954)
<i>Total Non-Operating Receipts (Disbursements)</i>	(207,125)
<i>Loss before Transfers and Advances</i>	(166,675)
Transfers In	30,000
Advances In	3,000
<i>Net Change in Fund Cash Balances</i>	(133,675)
<i>Fund Cash Balances, January 1</i>	481,063
<i>Fund Cash Balances, December 31</i>	\$347,388

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)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$91,199	\$13,356		\$104,555
Municipal Income Tax	247,560		\$275,469	523,029
Intergovernmental	450,887	81,023		531,910
Special Assessments		26,400		26,400
Charges for Services	75,229			75,229
Fines, Licenses and Permits	4,159			4,159
Earnings on Investments	1,626	184		1,810
Miscellaneous	34,685	25,172		59,857
<i>Total Cash Receipts</i>	<u>905,345</u>	<u>146,135</u>	<u>275,469</u>	<u>1,326,949</u>
Cash Disbursements				
Current:				
Security of Persons and Property	81,251	93,725		174,976
Leisure Time Activities		9,909		9,909
Basic Utility Services	2,490			2,490
Transportation	3,120	528,955		532,075
General Government	238,607	427		239,034
Capital Outlay	5,168	24,504		29,672
Debt Service:				
Principal Retirement		12,757	251,210	263,967
Interest and Fiscal Charges		6,792	18,243	25,035
<i>Total Cash Disbursements</i>	<u>330,636</u>	<u>677,069</u>	<u>269,453</u>	<u>1,277,158</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>574,709</u>	<u>(530,934)</u>	<u>6,016</u>	<u>49,791</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	23,000			23,000
Refund of Prior Year Receipts	(48,427)			(48,427)
Transfers In		379,000		379,000
Transfers Out	(379,000)			(379,000)
Advances In	5,000	17,551		22,551
Advances Out	(22,551)			(22,551)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(421,978)</u>	<u>396,551</u>		<u>(25,427)</u>
<i>Net Change in Fund Cash Balances</i>	152,731	(134,383)	6,016	24,364
<i>Fund Cash Balances, January 1</i>	<u>915,243</u>	<u>189,186</u>	<u>35,592</u>	<u>1,140,021</u>
Fund Cash Balances, December 31				
Restricted		54,625		54,625
Committed		178	41,608	41,786
Unassigned	1,067,974			1,067,974
<i>Fund Cash Balances, December 31</i>	<u>\$1,067,974</u>	<u>\$54,803</u>	<u>\$41,608</u>	<u>\$1,164,385</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, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$316,843
Operating Cash Disbursements	
Personal Services	80,313
Employee Fringe Benefits	31,186
Contractual Services	73,158
Supplies and Materials	63,206
<i>Total Operating Cash Disbursements</i>	247,863
<i>Operating Income</i>	68,980
Non-Operating Receipts (Disbursements)	
Municipal Income Tax	172,483
Capital Outlay	(127,393)
Principal Retirement	(37,322)
Interest and Other Fiscal Charges	(13,868)
<i>Total Non-Operating Receipts (Disbursements)</i>	(6,100)
<i>Income before Advances</i>	62,880
Advances In	5,000
Advances Out	(5,000)
<i>Net Change in Fund Cash Balances</i>	62,880
<i>Fund Cash Balances, January 1</i>	418,183
<i>Fund Cash Balances, December 31</i>	\$481,063

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, 2012 AND 2011**

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 directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 9 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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

Parks and Recreation Fund – This fund receives donations and farm rent income for the construction of the park and repayment of a loan for park land.

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

3. 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:

West Side/UM Water/Sewer Fund – This fund receives income tax revenue for the repayment of debt for the construction of the water/sewer lines.

4. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. 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.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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.

G. 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.

H. 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. Change in Accounting Principle

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$470,953	\$232,211
Certificates of deposit	1,422,735	1,413,237
Total deposits	<u>\$1,893,688</u>	<u>\$1,645,448</u>

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,582,347	\$781,075	(\$801,272)
Special Revenue	231,966	219,174	(12,792)
Capital Projects	245,285	188,286	(56,999)
Enterprise	971,442	597,952	(373,490)
Total	<u>\$3,031,040</u>	<u>\$1,786,487</u>	<u>(\$1,244,553)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$800,000	\$411,142	\$388,858
Special Revenue	231,966	172,696	59,270
Capital Projects	245,285	229,894	15,391
Enterprise	971,442	734,627	236,815
Total	<u>\$2,248,693</u>	<u>\$1,548,359</u>	<u>\$700,334</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,416,983	\$928,345	(\$488,638)
Special Revenue	717,839	525,135	(192,704)
Capital Projects	269,454	275,469	6,015
Enterprise	804,013	489,326	(314,687)
Total	<u>\$3,208,289</u>	<u>\$2,218,275</u>	<u>(\$990,014)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$950,000	\$758,063	\$191,937
Special Revenue	717,839	677,069	40,770
Capital Projects	269,454	269,453	1
Enterprise	804,013	426,446	377,567
Total	<u>\$2,741,306</u>	<u>\$2,131,031</u>	<u>\$610,275</u>

5. Property Tax

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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.

6. Local Income Tax

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts are credited 59 percent to the General Fund and 41 percent to the Enterprise Capital Improvement Fund.

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$141,365	7%
General Obligation Loans	114,504	4.875%
Ohio Public Works Commission Loans	24,476	0%
Total	<u>\$280,345</u>	

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

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

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

Year ending December 31:	OWDA - Principal	OWDA - Interest	OPWC	General Obligation Loan - Principal	General Obligation Loan - Interest
2013	\$15,803	\$5,301	\$5,391	\$14,063	\$5,486
2014	32,792	9,417	5,391	14,767	4,782
2015	35,251	6,958	2,739	15,506	4,043
2016	37,895	4,314	2,739	16,272	3,277
2017	19,624	1,482	2,739	17,096	2,453
2018-2019			5,477	36,800	2,797
Total	<u>\$141,365</u>	<u>\$27,472</u>	<u>\$24,476</u>	<u>\$114,504</u>	<u>\$22,838</u>

8. Retirement Systems

A. Police and Fire Pension Fund and Ohio Public Employees Retirement System

The Village's certified Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the OP&F/PERS Ohio have an option to choose Social Security or the OP&F/PERS Ohio. As of December 31, 2012, members of the Volunteer Fire Department have elected Social Security. The Village's liability is 6.2 percent of wages paid.

9. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

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

10. Subsequent Events

In 2013, the Village awarded the following contracts:

- On January 23, 2013, a contract for Eastown Drive Roadway Improvement/KMI was awarded to All Purpose Contracting in the amount of \$408,665.30.
- On March 18, 2013, a contract for Veach, Ralph and Dray Street storm sewer was awarded to Hoenbrink Excavating in the amount of \$354,361.46.
- On April 15, 2013, a contract for Ralph and Sixth Street Road Project was awarded to Hoenbrink Excavating in the amount of \$423,201.95.
- On June 24, 2013, a contract for the Auglaize Street reconstruction project was awarded to Miller Contracting Group Inc. in the amount of \$561,000.



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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 Village of Kalida, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013 wherein we noted the Village followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and wherein the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

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 opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings item 2012-001.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 8, 2013

VILLAGE OF KALIDA
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the clerk is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and order for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the clerk is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the clerk for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-six percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

FINDING NUMBER 2012-002

Material Weakness

Financial Reporting

Inaccurate posting of transactions impedes the ability of Council to accurately assess the financial status of the Village. We noted the following errors:

- In 2012, Federal Emergency Management Agency revenue and expenditures of \$14,292 was posted to General Fund revenue and expenses when it should have been reported as intergovernmental revenue and capital outlay in the Fire Fund.
- In 2011, the Village incorrectly classified a \$48,427 refund to the County Auditor for prior year estate tax as general government expenditure in the General Fund instead of a refund of prior year receipts.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village.

The accompanying financial statements have been adjusted to correct these and other errors. We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Village Officers Handbook. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council, to ensure errors and omissions are detected and corrected.

Officials' Response:

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

**VILLAGE OF KALIDA
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code Section 5705.41(B), for expenditures in excess of appropriations.	Yes	
2010-002	Ohio Revised Code Section 5705.41(D)(1), for lack of prior certification of expenditures.	No	Not Corrected. This finding has been repeated in this report as finding 2012-001.
2010-003	Material weakness on financial reporting, due to errors on financial statements.	No	Not Corrected. This finding has been repeated in this report as finding 2012-002.

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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
NOVEMBER 7, 2013