



Dave Yost • Auditor of State

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Baltic
Tuscarawas County
102 West Main Street
Baltic, Ohio 43804

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Baltic, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Baltic, Tuscarawas County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, 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

December 22, 2015

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$37,451	\$15,441	\$0	\$22,354	\$0	\$75,246
Municipal Income Tax	86,779	76,879	28,830	0	0	192,488
Intergovernmental	21,133	70,636	0	5,082	0	96,851
Special Assessments	1,820	0	0	0	0	1,820
Charges for Services	9,715	75,078	26,836	0	0	111,629
Fines, Licenses and Permits	65	0	0	0	0	65
Earnings on Investments	607	156	0	0	318	1,081
Miscellaneous	4,302	4,388	0	0	0	8,690
<i>Total Cash Receipts</i>	<u>161,872</u>	<u>242,578</u>	<u>55,666</u>	<u>27,436</u>	<u>318</u>	<u>487,870</u>
Cash Disbursements						
Current:						
Security of Persons and Property	28,297	87,768	0	567	0	116,632
Public Health Services	387	16,258	0	0	0	16,645
Leisure Time Activities	9,922	0	0	0	0	9,922
Community Environment	673	0	0	0	0	673
Transportation	2,812	86,227	0	0	0	89,039
General Government	80,084	0	0	0	0	80,084
Capital Outlay	32,013	119,192	0	0	0	151,205
Debt Service:						
Principal Retirement	0	2,000	33,951	0	0	35,951
Interest and Fiscal Charges	0	0	8,723	0	0	8,723
<i>Total Cash Disbursements</i>	<u>154,188</u>	<u>311,445</u>	<u>42,674</u>	<u>567</u>	<u>0</u>	<u>508,874</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,684</u>	<u>(68,867)</u>	<u>12,992</u>	<u>26,869</u>	<u>318</u>	<u>(21,004)</u>
Other Financing Receipts (Disbursements)						
Transfers In	0	56,498	0	0	0	56,498
Transfers Out	(56,498)	0	0	0	0	(56,498)
Other Financing Sources	2,973	8,399	0	0	0	11,372
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(53,525)</u>	<u>64,897</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,372</u>
<i>Net Change in Fund Cash Balances</i>	<u>(45,841)</u>	<u>(3,970)</u>	<u>12,992</u>	<u>26,869</u>	<u>318</u>	<u>(9,632)</u>
<i>Fund Cash Balances, January 1</i>	<u>192,136</u>	<u>246,872</u>	<u>(3,063)</u>	<u>126,852</u>	<u>31,140</u>	<u>593,937</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	31,458	31,458
Restricted	0	251,226	0	153,721	0	404,947
Committed	7,899	0	9,929	0	0	17,828
Assigned	138,396	0	0	0	0	138,396
Unassigned (Deficit)	0	(8,324)	0	0	0	(8,324)
<i>Fund Cash Balances, December 31</i>	<u>\$146,295</u>	<u>\$242,902</u>	<u>\$9,929</u>	<u>\$153,721</u>	<u>\$31,458</u>	<u>\$584,305</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$290,006
Miscellaneous	14,893
	<u>304,899</u>
<i>Total Operating Cash Receipts</i>	<u>304,899</u>
Operating Cash Disbursements	
Personal Services	122,399
Transportation	535
Contractual Services	115,496
Supplies and Materials	44,727
Capital Outlay	59,967
	<u>343,124</u>
<i>Total Operating Cash Disbursements</i>	<u>343,124</u>
<i>Operating (Loss)</i>	<u>(38,225)</u>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	1
Sale of Notes	23,776
Principal Retirement	(48,455)
Interest and Other Fiscal Charges	(23,687)
	<u>(48,365)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(48,365)</u>
<i>Net Change in Fund Cash Balances</i>	(86,590)
<i>Fund Cash Balances, January 1</i>	<u>247,510</u>
<i>Fund Cash Balances, December 31</i>	<u>\$160,920</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$36,716	\$16,232	\$0	\$24,513	\$0	\$77,461
Municipal Income Tax	87,176	70,129	17,517	0	0	174,822
Intergovernmental	109,437	49,189	0	1,169	0	159,795
Charges for Services	7,829	72,666	26,776	0	0	107,271
Fines, Licenses and Permits	197	134	0	0	0	331
Earnings on Investments	556	231	0	0	1,204	1,991
Contributions and Donations	968	0	0	0	0	968
Miscellaneous	4,320	11,354	0	0	0	15,674
<i>Total Cash Receipts</i>	<u>247,199</u>	<u>219,935</u>	<u>44,293</u>	<u>25,682</u>	<u>1,204</u>	<u>538,313</u>
Cash Disbursements						
Current:						
Security of Persons and Property	27,336	98,695	0	0	0	126,031
Public Health Services	1,853	9,128	0	0	0	10,981
Leisure Time Activities	13,926	0	0	0	0	13,926
Community Environment	1,008	0	0	0	0	1,008
Transportation	1,160	125,201	0	0	0	126,361
General Government	108,700	0	0	0	0	108,700
Capital Outlay	13,140	27,646	0	0	0	40,786
Debt Service:						
Principal Retirement	0	2,526	153,994	0	0	156,520
Interest and Fiscal Charges	0	1,324	12,821	0	0	14,145
<i>Total Cash Disbursements</i>	<u>167,123</u>	<u>264,520</u>	<u>166,815</u>	<u>0</u>	<u>0</u>	<u>598,458</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>80,076</u>	<u>(44,585)</u>	<u>(122,522)</u>	<u>25,682</u>	<u>1,204</u>	<u>(60,145)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes	0	0	121,538	0	0	121,538
Transfers In	0	5,000	0	0	0	5,000
Transfers Out	0	0	0	(5,000)	0	(5,000)
Other Financing Sources	4,320	11,020	0	0	0	15,340
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,320</u>	<u>16,020</u>	<u>121,538</u>	<u>(5,000)</u>	<u>0</u>	<u>136,878</u>
<i>Net Change in Fund Cash Balances</i>	<u>84,396</u>	<u>(28,565)</u>	<u>(984)</u>	<u>20,682</u>	<u>1,204</u>	<u>76,733</u>
<i>Fund Cash Balances, January 1</i>	<u>107,740</u>	<u>275,437</u>	<u>(2,079)</u>	<u>106,170</u>	<u>29,936</u>	<u>517,204</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	31,140	31,140
Restricted	0	246,872	0	126,852	0	373,724
Committed	8,030	0	3,265	0	0	11,295
Assigned	144,506	0	0	0	0	144,506
Unassigned (Deficit)	39,600	0	(6,328)	0	0	33,272
<i>Fund Cash Balances, December 31</i>	<u>\$192,136</u>	<u>\$246,872</u>	<u>(\$3,063)</u>	<u>\$126,852</u>	<u>\$31,140</u>	<u>\$593,937</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$299,464
Miscellaneous	10,092
	<u>309,556</u>
<i>Total Operating Cash Receipts</i>	<u>309,556</u>
Operating Cash Disbursements	
Personal Services	118,493
Transportation	1,653
Contractual Services	97,906
Supplies and Materials	28,010
Capital Outlay	205,516
	<u>451,578</u>
<i>Total Operating Cash Disbursements</i>	<u>451,578</u>
<i>Operating (Loss)</i>	<u>(142,022)</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	125,000
Sale of Notes	70,921
Principal Retirement	(21,527)
Interest and Other Fiscal Charges	(7,717)
	<u>166,677</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>166,677</u>
<i>Net Change in Fund Cash Balances</i>	24,655
<i>Fund Cash Balances, January 1</i>	<u>222,855</u>
<i>Fund Cash Balances, December 31</i>	<u>\$247,510</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Baltic, Tuscarawas 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, street maintenance, cemetery maintenance, park operations, fire protection and police services. The Village contracts with the Tuscarawas Sheriff's department to provide security of persons and property.

The Village participates in a jointly governed organization and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc.

Jointly Governed Organizations:

Swiss Valley Joint Ambulance District (The District)

The District is a body corporate and politic formed by the Village and several other political subdivisions under Ohio Revised Code § 505.375 to provide emergency medical services.

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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 common stock at fair value when donated. STAR Ohio is recorded at share values.

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:

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

Fire Fund – This fund receives property tax revenue and revenue from fire protection contracts to fund fire protection services for the Village.

Police Fund - This fund receives property tax revenue to fund police and safety protection services for the Village.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds.

Debt Retirement Fund – This fund receives sewer utility revenue to retire debt related to various sewer improvement projects.

Debt Retirement – Water and Sewer Fund – Income tax revenue is allocated to this fund to retire debt related to various water and sewer improvement projects.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. 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 funds:

Fire Truck Fund – This fund receives property tax revenue for the purpose of purchasing equipment for the Village fire department.

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

6. 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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 approve estimated resources.

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.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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. Equity in Pooled Deposits and Investments

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

	2014	2013
Demand deposits	\$653,488	\$749,739
Total deposits	653,488	749,739
STAR Ohio	86,092	86,063
Common stock (at cost, fair value was \$13,163 and \$8,104 at December 31, 2014 and 2013, respectively.)	5,645	5,645
Total investments	91,737	91,708
Total deposits and investments	\$745,225	\$841,447

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: The Village's common stock is with Kroger Corporation.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and December 31, 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,700	\$164,845	\$57,145
Special Revenue	228,198	307,475	79,277
Debt Service	41,802	55,666	13,864
Capital Projects	96,256	27,436	(68,820)
Enterprise	289,088	328,676	39,588
Permanent	0	318	318
Total	\$763,044	\$884,416	\$121,372

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,155	\$213,869	\$46,286
Special Revenue	329,279	314,010	15,269
Debt Service	89,967	42,674	47,293
Capital Projects	0	567	(567)
Enterprise	507,792	420,531	87,261
Permanent	0	0	0
Total	\$1,187,193	\$991,651	\$195,542

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,799	\$251,519	\$81,720
Special Revenue	204,414	235,955	31,541
Debt Service	47,061	165,831	118,770
Capital Projects	27,500	25,682	(1,818)
Enterprise	452,081	505,477	53,396
Permanent	0	1,204	1,204
Total	\$900,855	\$1,185,668	\$284,813

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$293,078	\$168,173	\$124,905
Special Revenue	470,821	269,731	201,090
Debt Service	47,961	171,182	(123,221)
Capital Projects	5,054	5,000	54
Enterprise	641,972	506,626	135,346
Permanent	4,290	0	4,290
Total	\$1,463,176	\$1,120,712	\$342,464

Contrary to Ohio Revised Code § 5705.10(C), property tax settlements and reimbursements were not included in the correct funds resulting in adjustment to certain fund's cash balances.

Contrary to Ohio Revised Code § 5705.39, appropriations exceeded estimated resources in certain funds.

Contrary to Ohio Revised Code § 5705.40, estimated revenue and appropriations reported in the accounting system did not always agree to approved amounts.

Contrary to Ohio Revised Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the Fire Truck fund by (\$567) for the year ended December 31, 2014. Budgetary expenditures exceeded appropriation authority in the Debt – Water / Sewer Fund by (\$123,221) for the year ended December 31, 2013. These occurred due to adjustments to the financial statements to report property tax revenue and related fees at the gross distribution level in the Fire Truck fund and to report the disbursement of roll over debt in the Debt – Water / Sewer Fund. There were additional instances of budgetary expenditures exceeding appropriations among other funds.

Contrary to Ohio Revised Code § 5735.28, gasoline excise tax and state and local government highway distributions were not allocated to the Street Maintenance and State Highway Funds.

4. 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.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Baltic State Bank - Bond	\$166,632	5.00%
Baltic State Bank - Backhoe Note	36,417	4.50%
Baltic State Bank - Sewer Pump Note	14,714	4.50%
Baltic State Bank - Sewer Plant Note	95,542	4.00%
Ohio Public Works Commission Loans	363,280	0.00%
Ohio Water Development Authority Loan	738,841	2.00%
Total	<u>\$1,415,426</u>	

The bonds were issued in 2005 for \$250,000 for sewer system improvements. Interest is paid semiannually with a principal reduction annually. Total yearly payments are \$20,060. These bonds will mature in 2025.

The bank loan for the backhoe was issued on May 1, 2012 for \$46,000. It has an interest rate of 4.5% and will mature on May 15, 2022.

The bank loan for the sewer pump was issued on December 3, 2013 for \$18,000. It has an interest rate of 4.5% and will mature on November 15, 2015.

The Village obtained a \$121,513 bank loan in 2013. This loan was used to pay the remaining balance on a prior bank loan for the sewer plant. The loan matures in November 2018.

The Ohio Public Works Commission Loans related to a water and sewer plant expansion project as well as storm sewer improvements. They are 0% interest loans. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project. The OWDA loaned the Village \$834,578 for this project. The Village will repay the loans in semiannual installments until 2040. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	Baltic State Bank - Bonds	Baltic State Bank - Backhoe	Baltic State Bank - Sewer Pump	Baltic State Bank - Sewer Plant
2015	\$20,061	\$5,774	\$4,050	\$26,796
2016	20,060	5,774	4,050	26,796
2017	20,060	5,774	4,050	26,796
2018	20,061	5,774	4,050	24,563
2019	20,061	5,774		
2020-2024	100,305	14,434		
2025-2029	20,060			
Total	<u>\$220,668</u>	<u>\$43,304</u>	<u>\$16,200</u>	<u>\$104,951</u>

Year ending December 31:	Ohio Public Works Commission	Ohio Water Development Authority
2015	\$22,835	\$37,129
2016	22,835	37,129
2017	22,835	37,129
2018	22,835	37,130
2019	22,835	37,128
2020-2024	114,175	185,649
2025-2029	108,925	185,648
2030-2034	26,005	185,648
2035-2039		185,648
2040-2044		18,564
Total	<u>\$363,280</u>	<u>\$946,802</u>

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 2014.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, 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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 respectively.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

9. JOINTLY GOVERNED ORGANIZATIONS

Swiss Valley Joint Ambulance District (the District)

The District provides emergency medical services for the Village. The District is directed by an appointed seven-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Baltic, Village of Sugarcreek, Walnut Creek Township, Auburn Township, Clark Township, Sugarcreek Township and Bucks Township. The District provides emergency medical services to citizens within those areas. During 2014 and 2013, the Village paid \$18,683 in total to the District.

10. SUBSEQUENT EVENTS

The Village issued a \$145,000 promissory note in anticipation of bonds on March 17, 2015. The bonds will mature in five years and have an interest rate of 2%. The bonds were issued for the purpose of purchasing a new fire truck.

The Village issued a \$291,176 promissory note in anticipation of bonds on March 17, 2015. The bonds will mature in 10 years and have an interest rate of 3%. The bonds were issued for the purpose of retiring previous notes issued for improvement and repairs to the wastewater treatment plant as the new bonds have a more favorable interest rate.

The Village passed .5% increase in municipal income taxes in November 2015 for the purpose of being utilized for street and cemetery operations, including maintenance.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. SUBSEQUENT EVENTS (Continued)

The Village approved an ordinance declaring it necessary to levy a tax in excess of the ten mill limitation. The new levy, if voter approved, would be used to finance ambulance service operations. Currently, the levy is planned to be included in the March 2016 election.

11. HEALTH INSURANCE

The Township provides health insurance to all employees through Tuscarawas County (County). The Township is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.



Dave Yost • Auditor of State

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

Village of Baltic
Tuscarawas County
102 West Main Street
Baltic, Ohio 43804

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Baltic, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated December 22, 2015, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2014-006 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-005.

Village's Response to Findings

The Village's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 22, 2015

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 5705.10(C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The Village had levies outside of the ten mill limitation for the purposes of supporting fire operations, police operations and the purchase of fire trucks. In addition to property tax monies being assessed and collected for these levies, the State of Ohio reimbursed taxing sub divisions for tax deductions, homestead and rollback, as well as distributes the commercial activity tax. These revenues were derived and allocated based upon property tax levies.

During 2014 and 2013, there were multiple instances where Property and Local Taxes and Intergovernmental Revenue derived from levies were reported in incorrect funds. They included the following:

- The 2014 first half tax settlement, tax reimbursements and commercial activity taxes were posted entirely to the General Fund instead of being allocated to the correct tax levying funds. Additionally, special assessment fees for delinquent utility payments collected by Tuscarawas County with property taxes were incorrectly reported in the General Fund. As a result, the cash balance of the General Fund was overstated by \$27,616. The Village should have reported \$4,299 in the Fire Fund, \$6,099 in the Police Fund, \$15,466 in the Fire Truck Fund, \$116 in the Debt Retirement Fund, \$1,259 in the Water Operating Fund, \$205 in the Sewer Operating Fund, \$86 in the Storm Sewer Reserve Fund and \$86 in the Water Debt Fund;
- The 2014 second half tax settlement and commercial activity tax due to the Fire Truck Fund were posted into the Fire Fund. As a result, the cash balance of the Fire Fund was overstated by \$11,403 and the cash balance of the Fire Truck Fund was understated by \$11,403;
- 2013 tax reimbursements were incorrectly reported in the General Fund instead of being allocated to the correct tax levying funds. Additionally, certain gasoline tax payments were reported in the General Fund instead of the appropriate transportation fund. As a result, the cash balance of the General Fund was overstated by \$3,098. The Village should have reported \$528 in the Fire Fund, \$566 in the Police Fund, \$1,956 in the Fire Truck Fund, \$44 in the Street Maintenance Fund and \$4 in the State Highway Fund;
- For the 2014 items noted above, this resulted in errors in the reporting of Property and Other Local Taxes, Intergovernmental Revenue, Special Assessments and disbursements. They were noted as follows:
 - For the General Fund, Property and Other Local Taxes was overstated by \$34,345, General Government disbursements, Intergovernmental Revenue and Special Assessments were understated by \$3,625, \$8,534 and \$1,820, respectively;
 - For the Fire Fund, Property and Other Local Taxes were overstated by \$8,085, Security of Persons and Property disbursements and Intergovernmental Revenue were understated by \$152 and \$1,607, respectively;
 - For the Police Fund, Property and Other Local Taxes, Intergovernmental Revenue and Security of Persons and Property disbursements were understated by \$4,573, \$1,646 and \$120 respectively;
 - For the Fire Truck Fund, Property and Other Local Taxes, Intergovernmental Revenue and Security of Persons and Property disbursements were understated by \$22,354, \$5,082 and \$567 respectively;

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-001 (Continued)

Noncompliance (Continued)

- For the Debt Retirement Fund, Water Operating Fund, Sewer Operating Fund, Storm Sewer Reserve Fund and Water Debt Fund, Charges for Services was understated by \$1,259, \$205, \$86 and \$86 respectively;
- For the 2013 items noted above, this resulted in errors in the reporting of Property and Other Local Taxes and Intergovernmental Revenue. This was noted as follows:
 - For the General Fund, Property and Other Local Taxes was overstated by \$11,642 and Intergovernmental Revenue was understated by \$8,544;
 - For the Fire Fund, Police Fund, Fire Truck Fund, Street Maintenance Fund and State Highway Fund, Intergovernmental Revenue was understated by \$528, \$566, \$1,956. \$44 and \$4 respectively;
- The net impact to the cash fund balances for the items noted above was as follows:
 - The General Fund cash balance was overstated by \$30,714;
 - The Fire Fund cash balance was overstated by \$6,576;
 - The Police Fund cash balance was understated by \$6,665,
 - The Fire Truck Fund cash balance was understated by \$28,825;
 - The Debt Retirement Fund cash balance was understated by \$116;
 - The Water Operating Fund cash balance was understated by \$1,259;
 - The Sewer Operating Fund cash balance was understated by \$205;
 - The Storm Sewer Reserve Fund cash balance was understated by \$86;
 - The Water Debt Fund cash balance was understated by \$86;
 - The Street Maintenance Fund cash balance was understated by \$44;
 - The State Highway Fund cash balance was understated by \$4.

Inaccurate reporting of revenue could lead to tax levy money being utilized for unallowable disbursements that do not correspond with the legally required intent of such money. Additionally, sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statements and accounting system have been adjusted accordingly.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit.

Officials' Response: The Fiscal Officer will contact the County Auditor's office more regarding distribution of funds.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code § 5705.39 states that total appropriations from each fund shall not exceed the total of estimated resources available for expenditure there from, as certified by the budget commission, or in the case of an appeal, by the board of tax appeals. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the County Auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.

During our review of appropriations and estimated resources, appropriations exceeded estimated resources in 2014 and 2013 as follows:

Fund	Appropriations	Estimated Resources	Variance
2014:			
Fund B1 - Street Fund	87,200	87,115	(85)
Fund C1 Debt - Water / Sewer Fund	30,000	8,672	(21,328)
Fund C2 - Debt Retirement	55,600	25,700	(29,900)
Fund E4 - Water Debt	115,000	(9,398)	(124,398)
2013:			
Fund A1 - General Fund	266,349	250,810	(15,539)
Fund B1 - Street Fund	129,599	127,599	(2,000)
Fund B2 - State Highway Fund	3,143	1,243	(1,900)
Fund B8 - Fire Fund	198,913	196,124	(2,789)
Fund B32 - Cemetery Fund	27,641	25,641	(2,000)
Fund C1 Debt - Water / Sewer Fund	21,561	16,028	(5,533)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances.

The Village should establish procedures to help ensure appropriations do not exceed estimated resources. This will help the Board control spending, limiting it to the resources available and allow the Village to maintain surplus cash balances.

Officials' Response: The Fiscal Officer has talked to the County Auditor's Office regarding their office to conduct a seminar after the first of the year to explain the appropriations and budget reports more.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003

Noncompliance

Ohio Rev. Code § 5705.40 allowed any appropriation ordinance or measure to be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Ohio Admin. Code § 117-2-02(C)(1) required all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. The Village utilized financial accounting system which was capable of integrating budgetary and actual financial information at a level lower than the legal level of budgetary control.

For 2014 and 2013, appropriations reported in the financial system did not always agree to Council approved amounts. Variances between approved appropriations and system appropriations was (\$75,000) to \$86,000 and (\$18,000) to \$5,000 in 2014 and 2013, respectively. Additionally, estimated revenue reported in the financial system did not always agree to the Tuscarawas County Budget Commission (Budget Commission) approved amounts. Variances between approved estimated revenue and system reported budgeted revenue was (\$148) to \$56,256 and (\$13,200) and \$56,082 in 2014 and 2013, respectively.

As a result, there was an increased risk that appropriations were posted without proper authorization and that expenditures could be made in excess of Council approved appropriations. Additionally, inaccurately posted budgetary information could lead to errors in reporting budget versus actual information in the notes to the financial statements. Additionally, utilizing inaccurate budgetary reports throughout the year increases the possibility that management will make financial decisions based off of inaccurate information.

Appropriations posted into the financial system should equal Council approved appropriations. Any supplemental, or reduction, in appropriations should be approved by Council prior to being posted. Estimated revenue posted into the financial system should equal Budget Commission approved estimated revenue. This will help provide accurate budget versus actual comparisons and allow management and the Council to make informed financial decisions.

Officials' Response: The Village had resolutions passed by Council to move monies around. The Fiscal Officer also contacted their software provider regarding comments made.

FINDING NUMBER 2014-004

Noncompliance

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit expend money unless it has been appropriated.

Total disbursements and outstanding commitments exceeded appropriations in 2014 and 2013 as follows:

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-004 (Continued)

Noncompliance (Continued)

Fund	Appropriations	Expenditures and Commitments	Variance
2014:			
Fund B1 - Street Fund	87,217	92,140	(4,923)
Fund B2 - State Highway Fund	2,310	5,000	(2,690)
Fund B4 - Parks Fund	0	12,519	(12,519)
Fund B10 - Permissive Tax Fund	7,082	12,872	(5,790)
Fund B32 - Cemetery Fund	4,540	18,509	(13,969)
Fund C4 – Fire Truck Fund	0	567	(567)
Fund E3 - Storm Sewer Revenue	845	51,866	(51,021)
Fund E7 - Sewer Reserve Fund	0	2,025	(2,025)
2013:			
Fund B10 - Permissive Tax Fund	5,757	5,805	(48)
Fund C1 – Debt – Water/Sewer	21,561	140,349	(118,788)
Fund C2 - Debt Retirement	26,400	30,833	(4,433)
Fund E4 - Water Debt	17,500	27,315	(9,815)

As a result, there was an increased risk of the Village incurring deficit cash balances.

Council should approve supplemental appropriations so that disbursements are within the Village's approved appropriations (budgeted disbursements). However, Council should only approve supplemental appropriations when supplemental appropriations and previously approved appropriations are within estimated resources as reported on the Amended Certificate of Estimated Resources (or if a new Amended Certificate can be submitted due to increased expected revenue). When disbursements are expected to exceed appropriations and additional appropriations cannot be approved as the new total appropriations would exceed estimated resources, the Village should review their spending plan to determine the necessity of purchases and where cuts can be made. This will help ensure the Village does not expend excessive amounts and allow the Village to maintain surplus cash balances.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-005

Noncompliance

Ohio Rev. Code § 5735.28 requires that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to § 4501.04, § 5735.23, and § 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-005 (Continued)

Noncompliance (Continued)

Chapter 133 of the Revised Code or incurred pursuant to § 5531.09 of the Revised Code for such purposes.

The Village received gasoline excise tax and state and local government highway distributions pursuant to Ohio Rev. Code § 5735.23. The Village has two state highways within its corporation limits and has established the State Highway Fund to account for the seven and one-half percent distribution of these revenues. They have also established the Street Maintenance Fund to account for remaining 92.5 percent distribution of these revenue revenues.

During both years, the Village received these revenues in these two funds along with recording amounts in the General Fund and the Permissive Tax Fund, which was established to collect vehicle registration taxes pursuant to Ohio Rev. Code § 4504.172. Gasoline excise tax and state and local government highway distribution monies reported in the General Fund and Permissive Tax Fund should have been allocated to the Street Maintenance Fund and State Highway Fund. Revenue was inaccurately reported as follows:

- During 2014, the General Fund reported \$885 and the Permissive Tax Fund reported \$19,098 in this revenue that should have been reported in the Street Maintenance Fund and State Highway Fund for \$18,485 and \$1,498, respectively;
- During 2013, the General Fund reported \$863 and the Permissive Tax Fund reported \$12,287 in this revenue that should have been reported in the Street Maintenance Fund and State Highway Fund for \$12,164 and \$986, respectively;
- The net impact to the cash fund balances for the items noted above was as follows:
 - The General Fund cash balance and Intergovernmental Revenue was overstated by \$1,748;
 - The Permissive Tax Fund cash balance and Intergovernmental Revenue was overstated by \$31,385;
 - The Street Maintenance Fund cash balance and Intergovernmental Revenue was understated by \$30,649;
 - The State Highway Fund cash balance and Intergovernmental Revenue was understated by \$2,484.

Inaccurate reporting of revenue could lead to gasoline excise taxes and state and local government highway distribution monies being utilized for unallowable disbursements that do not correspond with the legally required intent as defined in State statutes. Additionally, sound financial reporting is the responsibility of the Village and is essential to ensure the information provider to the readers of the financial statements is complete and accurate.

The financial statements and accounting system have been adjusted accordingly.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit.

Officials' Response: The Fiscal Officer contacted their software provider to make the adjustments.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-006

Material Weakness

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D).

As a result of audit procedures performed, errors were noted in the Village's financial statements that required audit adjustments and reclassifications as follows:

- The Village had stock bequeathed to them for the purpose of their cemetery. The Village received dividends of \$150 and 1,204 in the General Fund in 2014 and 2013, respectively. However, these amounts were legally required to be placed in either their Cemetery special revenue fund or Cemetery permanent fund. As a result, this revenue was incorrectly reported in the General Fund and should have been reported in the Cemetery permanent fund;
- The Village made disbursements of \$1,952 for the purposes of connecting a residence, or business, to their sewer system. However, this expenditure was made from the Water Operating Fund when it should have been made from the Sewer Operating Fund;
- The Village established various fees for utilities by ordinance. When reported the revenue received in December 2013, the Village reported \$715 in the Sewer Reserve Fund that should have been reported in the Storm Sewer Reserve Fund as required by ordinance;
- The Village made \$76,162 in disbursements from the Fire Fund that was reported as Other Financing Uses in 2014. However, these disbursements were for uniforms and equipment and should have been reported as Capital Outlay;
- The Village reported \$17,771 in Interest and Fiscal Charges in the Debt Service Funds that should have been reported as Principal Retirement in 2014;
- The Village reported \$13,738 in Interest and Fiscal Charges in the Debt Service Funds that should have been reported as Principal Retirement in 2013;
- The Village reported \$15,615 in Capital Outlay and Supplies and Materials in the Enterprise Funds in 2014. These payments were for debt service and Principal Retirement and Interest and Fiscal Charges should have been reported in the amounts of \$11,828 and \$3,787, respectively;
- The Village reported \$11,779 in Principal Retirement in in the Enterprise Funds in 2014. These payments were for Interest and Fiscal Charges and Contractual Services and should have been reported as such in the amounts of \$8,779 and \$3,000, respectively;
- The Village received a loan from the Ohio Public Works Commission (OPWC). OPWC made disbursements on-behalf of the Village in the amounts of \$23,776 and \$52,921 in 2014 and 2013, respectively. Ohio Rev. Code § 5705.42 required the Village to report this activity. However, the Village did not report the corresponding Loan Proceeds and Disbursements;
- The Village received a grant from the Ohio Public Works Commission (OPWC). OPWC made disbursements on-behalf of the Village in the amounts of \$125,000 in 2013. Ohio Rev. Code § 5705.42 required the Village to report this activity. However, the Village did not report the corresponding Capital Contributions and Disbursements;
- The Village received \$968 in Contributions and Donations for the park that was inaccurately reported as Charges for Services in 2013;

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-006 (Continued)

Material Weakness (Continued)

- The Village rolled over certain debt over in 2013. As such, prior debt was effectively eliminated and new debt was incurred. Debt eliminated was \$121,445 in Principal Retirement and \$93 in Interest and Fiscal Charges. The corresponding Loans Proceeds were for \$121,538. However, this activity was not reflected on the financial statements;
- Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified. GASB 54 paragraphs 8 through 9 required reporting funds whose revenue with external legal constraints as Restricted. GASB 54 paragraphs 10 through 12 required reporting funds whose revenue had constraints imposed by Council, which could not be changed without Council approval, as Committed. GASB 54 paragraphs 13 through 16 required funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB 54 paragraph 17 required funds that have a negative balance to be reported as Unassigned regardless of their classification, or purpose, when having positive fund balances. The following inaccurate reporting of fund balances was noted, prior to the effect of any audit adjustments:
 - The General Fund's year end cash balance was utilized to cover the deficient of subsequent year appropriations exceeding estimated revenue at the end of 2014 and 2013 in the amounts of \$152,999 and \$144,505, respectively. However, these amounts were reported a Unassigned instead of Assigned;
 - The Tax Administration Fund, which was reported as part of the General Fund, had fund balances of \$7,899 and \$8,030 in 2014 and 2013, respectively. The fund's resources were derived from unrestricted income taxes that were allocated to the fund from Village ordinance. As a result, these balances should have been reported as Committed but were reported as Unassigned;
 - The State Highway Fund had a negative fund balance of \$886 in 2014. It was reported as Restricted instead of Unassigned;
 - Debt Service Funds had a negative fund balance of \$6,328 in 2013. It was reported as Committed instead of Unassigned;
 - The Capital Projects Funds source of revenue was derived from voted on property taxes in excess of the ten mill limitation, grants and donations provided for specific purposes. As such, the revenue has external constraints and, consequently, the fund balances should be reported as Restricted. However, the Village reported Committed amounts for \$56,226 in both 2014 and 2013. Additionally, the village reported Assigned amounts for \$68,670 in both 2014 and 2013.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provider to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2014-006 (Continued)

Material Weakness (Continued)

Officials' Response: Our Village Solicitor has rewritten our water and sewer rate ordinance with hopefully the correct verbiage. He is also looking at the stock the Village received to correct the name on it as well. The Fiscal Officer will put these monies now in the cemetery fund.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code § 5705.41(D)	Yes	Finding No Longer Valid.
2012-002	Ohio Rev. Code § 5705.10(C)	No	See Finding Number 2014-001.
2012-003	Financial Reporting – Numerous adjustments and reclasses	No	See Finding Number 2014-006.



Dave Yost • Auditor of State

VILLAGE OF BALTIC

TUSCARAWAS 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
JANUARY 5, 2016