



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, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015, 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 August 8, 2017, 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

August 8, 2017

Village of Baltic, Ohio
Tuscarawas County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

| | General | Special Revenue | Debt Service | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|------------------|--------------------|-----------------|---------------------|-----------------|--------------------------------|
| Cash Receipts | | | | | | |
| Property and Other Local Taxes | \$38,570 | \$14,333 | \$0 | \$21,883 | \$0 | \$74,786 |
| Municipal Income Tax | 113,773 | 181,299 | 37,918 | 0 | 0 | 332,990 |
| Intergovernmental | 23,431 | 45,148 | 0 | 1,782 | 0 | 70,361 |
| Charges for Services | 10,414 | 78,759 | 27,574 | 0 | 0 | 116,747 |
| Fines, Licenses and Permits | 110 | 0 | 0 | 0 | 0 | 110 |
| Earnings on Investments | 556 | 897 | 0 | 0 | 0 | 1,453 |
| Contributions and Donations | 5,422 | 44,734 | 0 | 0 | 0 | 50,156 |
| Miscellaneous | 3,392 | 3,450 | 0 | 0 | 0 | 6,842 |
| <i>Total Cash Receipts</i> | <u>195,668</u> | <u>368,620</u> | <u>65,492</u> | <u>23,665</u> | <u>0</u> | <u>653,445</u> |
| Cash Disbursements | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 27,199 | 82,312 | 0 | 153 | 0 | 109,664 |
| Public Health Services | 282 | 7,384 | 0 | 0 | 0 | 7,666 |
| Leisure Time Activities | 3,856 | 0 | 0 | 0 | 0 | 3,856 |
| Community Environment | 1,439 | 0 | 0 | 0 | 0 | 1,439 |
| Transportation | 3,259 | 187,081 | 0 | 0 | 0 | 190,340 |
| General Government | 100,236 | 0 | 0 | 0 | 0 | 100,236 |
| Capital Outlay | 0 | 67,192 | 0 | 32,727 | 0 | 99,919 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 34,395 | 22,932 | 23,047 | 0 | 80,374 |
| Interest and Fiscal Charges | 0 | 3,705 | 7,050 | 6,935 | 0 | 17,690 |
| <i>Total Cash Disbursements</i> | <u>136,271</u> | <u>382,069</u> | <u>29,982</u> | <u>62,862</u> | <u>0</u> | <u>611,184</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>59,397</u> | <u>(13,449)</u> | <u>35,510</u> | <u>(39,197)</u> | <u>0</u> | <u>42,261</u> |
| Other Financing Receipts (Disbursements) | | | | | | |
| Sale of Capital Assets | 1,116 | 0 | 0 | 5,000 | 0 | 6,116 |
| Other Financing Sources | 2,033 | 1,722 | 0 | 0 | 0 | 3,755 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>3,149</u> | <u>1,722</u> | <u>0</u> | <u>5,000</u> | <u>0</u> | <u>9,871</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>62,546</u> | <u>(11,727)</u> | <u>35,510</u> | <u>(34,197)</u> | <u>0</u> | <u>52,132</u> |
| <i>Fund Cash Balances, January 1</i> | <u>150,861</u> | <u>179,425</u> | <u>22,199</u> | <u>182,315</u> | <u>31,458</u> | <u>566,258</u> |
| Fund Cash Balances, December 31 | | | | | | |
| Nonspendable | 0 | 0 | 0 | 0 | 31,458 | 31,458 |
| Restricted | 0 | 204,663 | 0 | 148,118 | 0 | 352,781 |
| Committed | 0 | 0 | 58,612 | 0 | 0 | 58,612 |
| Assigned | 161,207 | 0 | 0 | 0 | 0 | 161,207 |
| Unassigned (Deficit) | 52,200 | (36,965) | (903) | 0 | 0 | 14,332 |
| <i>Fund Cash Balances, December 31</i> | <u>\$213,407</u> | <u>\$167,698</u> | <u>\$57,709</u> | <u>\$148,118</u> | <u>\$31,458</u> | <u>\$618,390</u> |

See accompanying notes to the basic financial statements

Village of Baltic, Ohio*Tuscarawas County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**Proprietary Fund Type**For the Year Ended December 31, 2016*

| | <u>Proprietary Fund Type</u> |
|---|------------------------------|
| | <u>Enterprise</u> |
| Operating Cash Receipts | |
| Charges for Services | \$349,660 |
| Miscellaneous | 4,760 |
| <i>Total Operating Cash Receipts</i> | <u>354,420</u> |
| Operating Cash Disbursements | |
| Personal Services | 136,683 |
| Contractual Services | 177,703 |
| Supplies and Materials | 23,925 |
| <i>Total Operating Cash Disbursements</i> | <u>338,311</u> |
| <i>Operating Income</i> | <u>16,109</u> |
| Non-Operating Receipts (Disbursements) | |
| Earnings on Investments | 5 |
| Capital Outlay | (12,373) |
| Principal Retirement | (28,740) |
| Interest and Other Fiscal Charges | (8,310) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(49,418)</u> |
| <i>Net Change in Fund Cash Balances</i> | (33,309) |
| <i>Fund Cash Balances, January 1</i> | <u>121,416</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$88,107</u></u> |

See accompanying notes to the basic financial statements

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

The Village participates in jointly governed organizations and the Ohio Plan Risk Management, Inc., 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. pool.

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 Section 505.71 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

The Village values common stock at fair value when donated.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 municipal income taxes, gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Cemetery Fund - This fund receives voter approved municipal income tax revenue for the construction, maintenance and repair of Village streets and maintenance of the Village's cemetery.

Fire Fund – This fund receive 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.

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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

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 2016 budgetary activity appears in Note 3.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

| | |
|---|-------------|
| | <u>2016</u> |
| Demand deposits | \$614,207 |
| Total deposits | 614,207 |
| STAR Ohio | 86,645 |
| Common stock (at cost, fair value was \$7,075 at December 31, 2016.) | 5,645 |
| Total investments | 92,290 |
| Total deposits and investments | \$706,497 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; and 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$250,918 | \$198,817 | (\$52,101) |
| Special Revenue | 289,279 | 370,342 | 81,063 |
| Debt Service | 60,039 | 65,492 | 5,453 |
| Capital Projects | 29,000 | 28,665 | (335) |
| Enterprise | 120,000 | 354,425 | 234,425 |
| Total | \$749,236 | \$1,017,741 | \$268,505 |

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$335,793 | \$137,861 | \$197,932 |
| Special Revenue | 322,133 | 390,022 | (67,889) |
| Debt Service | 134,624 | 29,982 | 104,642 |
| Capital Projects | 0 | 95,314 | (95,314) |
| Enterprise | 297,630 | 394,636 | (97,006) |
| Permanent | 4,290 | 0 | 4,290 |
| Total | \$1,094,470 | \$1,047,815 | \$46,655 |

Contrary to Ohio Rev. Code § 5705.10(C), property tax settlements, intergovernmental revenues and sale of assets were not included in the correct funds resulting in adjustment to certain funds' cash balances.

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

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

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriations in numerous funds.

Contrary to Ohio Rev. Code § 5735, gasoline excise tax and state and local government highway distributions were not properly 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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% 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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------------------|--------------------|----------------------|
| Baltic State Bank - Wasterwater Note | \$245,784 | 3.00% |
| Baltic State Bank - Fire Truck Note | 94,025 | 2.00% |
| Baltic State Bank - Backhoe Note | 27,730 | 4.50% |
| Ohio Water Development Authority | 681,831 | 2.00% |
| Ohio Public Works Commission | 317,610 | 0.00% |
| Total | <u>\$1,366,980</u> | |

The Village issued bonds in 2005 for \$250,000 for sewer system improvements. On March 17, 2015 the Village issued a \$291,176 promissory note in anticipation of bonds for the purpose of retiring the 2005 bonds as the new bonds have a more favorable interest rate. The bonds will mature in 10 years and have an interest rate of 3%.

The bank loan on the 2006 International Fire Truck was issued on March 18, 2015 for \$121,977. It has an interest rate of 2% and will mature on March 25, 2020.

The bank loan on the backhoe was issued on May 1, 2012 for \$46,000. It has an interest rate of 4.5% and will mature on May 5, 2022.

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 approved up to \$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.

The Village's taxing authority collateralized the bonds.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. DEBT (Continued)

| Year ending December 31: | Baltic State Bank - Wastewater Note | Baltic State Bank - Fire Truck | Baltic State Bank - Backhoe | Ohio Water Development Authority | Ohio Public Works Commission |
|-----------------------------|--|--------------------------------------|-----------------------------------|--|------------------------------------|
| 2017 | \$34,200 | \$32,400 | \$5,774 | \$37,129 | \$22,835 |
| 2018 | 34,200 | 32,400 | 5,774 | 37,129 | 22,835 |
| 2019 | 34,200 | 32,400 | 5,774 | 37,129 | 22,835 |
| 2020 | 34,200 | 8,100 | 5,774 | 37,129 | 22,835 |
| 2021 | 34,200 | | 5,774 | 37,129 | 22,835 |
| 2022-2026 | 114,000 | | 2,886 | 185,647 | 113,425 |
| 2027-2031 | | | | 185,647 | 80,425 |
| 2032-2036 | | | | 185,647 | 9,585 |
| 2037-2041 | | | | 129,954 | |
| Total | <u>\$285,000</u> | <u>\$105,300</u> | <u>\$31,756</u> | <u>\$872,540</u> | <u>\$317,610</u> |

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2016, 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, 2016.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

8. RISK MANAGEMENT (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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 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 equity at December 31, 2015 and 2014 (the latest information available).

| | 2015 | 2014 |
|-----------------|--------------|--------------|
| Assets | \$14,643,667 | \$14,830,185 |
| Liabilities | (9,112,030) | (8,942,504) |
| Members' Equity | \$5,531,637 | \$5,887,681 |

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 four-member board of Trustees. One Board Member is appointed by each political subdivision within the District. Those subdivisions are the Village of Baltic, Auburn Township, Clark Township and Bucks Township. The District provides emergency medical services to citizens within those areas. During 2016, the Village paid \$11,925 in total to the District.

10. HEALTH INSURANCE

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

11. SUBSEQUENT EVENT

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. The levy was passed in March 2016 and will start to be collected in 2017.

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Village of Baltic, Ohio

Tuscarawas County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types*

For the Year Ended December 31, 2015

| | General | Special Revenue | Debt Service | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|------------------|--------------------|-----------------|---------------------|-----------------|--------------------------------|
| Cash Receipts | | | | | | |
| Property and Other Local Taxes | \$40,733 | \$14,870 | \$0 | \$23,011 | \$0 | \$78,614 |
| Municipal Income Tax | 99,116 | 88,107 | 33,038 | 0 | 0 | 220,261 |
| Intergovernmental | 23,647 | 89,831 | 0 | 3,368 | 0 | 116,846 |
| Charges for Services | 9,183 | 74,200 | 27,431 | 0 | 0 | 110,814 |
| Fines, Licenses and Permits | 635 | 0 | 0 | 0 | 0 | 635 |
| Earnings on Investments | 537 | 1,158 | 0 | 0 | 0 | 1,695 |
| Contributions and Donations | 526 | 0 | 0 | 0 | 0 | 526 |
| Miscellaneous | 4,494 | 8,747 | 0 | 0 | 0 | 13,241 |
| <i>Total Cash Receipts</i> | <u>178,871</u> | <u>276,913</u> | <u>60,469</u> | <u>26,379</u> | <u>0</u> | <u>542,632</u> |
| Cash Disbursements | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 27,040 | 85,123 | 0 | 285 | 0 | 112,448 |
| Public Health Services | 145 | 8,251 | 0 | 0 | 0 | 8,396 |
| Leisure Time Activities | 13,091 | 0 | 0 | 0 | 0 | 13,091 |
| Community Environment | 1,975 | 0 | 0 | 0 | 0 | 1,975 |
| Transportation | 29,508 | 124,264 | 0 | 0 | 0 | 153,772 |
| General Government | 101,783 | 0 | 0 | 0 | 0 | 101,783 |
| Capital Outlay | 1,459 | 241,134 | 0 | 0 | 0 | 242,593 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 25,266 | 34,113 | 0 | 0 | 59,379 |
| Interest and Fiscal Charges | 0 | 3,569 | 14,086 | 0 | 0 | 17,655 |
| <i>Total Cash Disbursements</i> | <u>175,001</u> | <u>487,607</u> | <u>48,199</u> | <u>285</u> | <u>0</u> | <u>711,092</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>3,870</u> | <u>(210,694)</u> | <u>12,270</u> | <u>26,094</u> | <u>0</u> | <u>(168,460)</u> |
| Other Financing Receipts (Disbursements) | | | | | | |
| Sale of Notes | 0 | 145,000 | 0 | 0 | 0 | 145,000 |
| Sale of Capital Assets | 0 | 0 | 0 | 2,500 | 0 | 2,500 |
| Other Financing Sources | 696 | 2,217 | 0 | 0 | 0 | 2,913 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>696</u> | <u>147,217</u> | <u>0</u> | <u>2,500</u> | <u>0</u> | <u>150,413</u> |
| <i>Net Change in Fund Cash Balances</i> | 4,566 # | (63,477) | 12,270 | 28,594 | 0 | (18,047) |
| <i>Fund Cash Balances, January 1</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> |
| Fund Cash Balances, December 31 | | | | | | |
| Nonspendable | 0 | 0 | 0 | 0 | 31,458 | 31,458 |
| Restricted | 0 | 223,169 | 0 | 182,315 | 0 | 405,484 |
| Committed | 0 | 0 | 31,038 | 0 | 0 | 31,038 |
| Assigned | 104,875 | 0 | 0 | 0 | 0 | 104,875 |
| Unassigned (Deficit) | 45,986 | (43,744) | (8,839) | 0 | 0 | (6,597) |
| <i>Fund Cash Balances, December 31</i> | <u>\$150,861</u> | <u>\$179,425</u> | <u>\$22,199</u> | <u>\$182,315</u> | <u>\$31,458</u> | <u>\$566,258</u> |

See accompanying notes to the basic financial statements

Village of Baltic, Ohio
Tuscarawas County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2015

| | <u>Proprietary Fund Type</u> |
|---|------------------------------|
| | <u>Enterprise</u> |
| Operating Cash Receipts | |
| Charges for Services | \$289,606 |
| Miscellaneous | 418 |
| <i>Total Operating Cash Receipts</i> | <u>290,024</u> |
| Operating Cash Disbursements | |
| Personal Services | 125,206 |
| Contractual Services | 99,789 |
| Supplies and Materials | 46,592 |
| <i>Total Operating Cash Disbursements</i> | <u>271,587</u> |
| <i>Operating Income</i> | <u>18,437</u> |
| Non-Operating Receipts (Disbursements) | |
| Earnings on Investments | 2 |
| Sale of Notes | 291,176 |
| Capital Outlay | (15,260) |
| Principal Retirement | (316,126) |
| Interest and Other Fiscal Charges | (17,733) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(57,941)</u> |
| <i>Net Change in Fund Cash Balances</i> | (39,504) |
| <i>Fund Cash Balances, January 1</i> | <u>160,920</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$121,416</u></u> |

See accompanying notes to the basic financial statements

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

The Village participates in jointly governed organizations and the Ohio Plan Risk Management, Inc., 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. pool.

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 Section 505.71 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

The Village values common stock at fair value when donated.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 municipal income taxes, gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Fund – This fund receive 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.

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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

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 2015 budgetary activity appears in Note 3.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

| | |
|---|-----------|
| | 2015 |
| Demand deposits | \$595,846 |
| Total deposits | 595,846 |
| STAR Ohio | 86,183 |
| Common stock (at cost, fair value was \$8,575 at December 31, 2015.) | 5,645 |
| Total investments | 91,828 |
| Total deposits and investments | \$687,674 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$184,000 | \$179,567 | (\$4,433) |
| Special Revenue | 266,454 | 424,130 | 157,676 |
| Debt Service | 15,000 | 60,469 | 45,469 |
| Capital Projects | 206,100 | 28,879 | (177,221) |
| Enterprise | 596,176 | 581,202 | (14,974) |
| Permanent | 4,000 | 0 | (4,000) |
| Total | \$1,271,730 | \$1,274,247 | \$2,517 |

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$331,172 | \$175,394 | \$155,778 |
| Special Revenue | 431,107 | 504,740 | (73,633) |
| Debt Service | 4,367 | 49,623 | (45,256) |
| Capital Projects | 79,326 | 285 | 79,041 |
| Enterprise | 450,192 | 626,336 | (176,144) |
| Permanent | 34,104 | 0 | 34,104 |
| Total | \$1,330,268 | \$1,356,378 | (\$26,110) |

Contrary to Ohio Rev. Code § 5705.10(C), property tax settlements, intergovernmental revenues and sale of assets were not included in the correct funds resulting in adjustment to certain funds' cash balances.

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

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriations in numerous funds.

Contrary to Ohio Rev. Code § 5735, gasoline excise tax and state and local government highway distributions were not properly 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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% 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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

| | Principal | Interest Rate |
|--------------------------------------|-------------|---------------|
| Baltic State Bank - Wasterwater Note | \$274,525 | 3.00% |
| Baltic State Bank - Fire Truck Note | 124,035 | 2.00% |
| Baltic State Bank - Backhoe Note | 32,116 | 4.50% |
| Ohio Water Development Authority | 704,976 | 2.00% |
| Ohio Public Works Commission | 340,445 | 0.00% |
| Total | \$1,476,097 | |

The Village issued bonds in 2005 for \$250,000 for sewer system improvements. On March 17, 2015 the Village issued a \$291,176 promissory note in anticipation of bonds for the purpose of retiring the 2005 bonds as the new bonds have a more favorable interest rate. The bonds will mature in 10 years and have an interest rate of 3%.

The bank loan on the 2006 International Fire Truck was issued on March 18, 2015 for \$121,977. It has an interest rate of 2% and will mature on March 25, 2020.

The bank loan or the backhoe was issued on May 1, 2012 for \$46,000. It has an interest rate of 4.5% and will mature on May 5, 2022.

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 approved up to \$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.

The Village's taxing authority collateralized the bonds.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEBT (Continued)

| Year ending December 31: | Baltic State Bank - Wastewater Note | Baltic State Bank - Fire Truck | Baltic State Bank - Backhoe | Ohio Water Development Authority | Ohio Public Works Commission |
|-----------------------------|--|--------------------------------------|-----------------------------------|--|------------------------------------|
| 2016 | \$34,200 | \$32,400 | \$5,774 | \$37,129 | \$22,835 |
| 2017 | 34,200 | 32,400 | 5,774 | 37,129 | 22,835 |
| 2018 | 34,200 | 32,400 | 5,774 | 37,129 | 22,835 |
| 2019 | 34,200 | 32,400 | 5,774 | 37,129 | 22,835 |
| 2020 | 34,200 | 8,100 | 5,774 | 37,129 | 22,835 |
| 2021-2025 | 148,200 | | 8,660 | 185,647 | 114,175 |
| 2026-2030 | | | | 185,647 | 98,675 |
| 2031-2035 | | | | 185,647 | 13,420 |
| 2036-2040 | | | | 167,083 | |
| Total | <u>\$319,200</u> | <u>\$137,700</u> | <u>\$37,530</u> | <u>\$909,669</u> | <u>\$340,445</u> |

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015, 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, 2015.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

8. RISK MANAGEMENT (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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 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 equity at December 31, 2015 and 2014 (the latest information available).

| | 2015 | 2014 |
|-----------------|--------------|--------------|
| Assets | \$14,643,667 | \$14,830,185 |
| Liabilities | (9,112,030) | (8,942,504) |
| Members' Equity | \$5,531,637 | \$5,887,681 |

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 2015, the Village paid \$10,335 in total to the District.

10. HEALTH INSURANCE

The Village 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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

11. SUBSEQUENT EVENT:

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.

The Village approved an ordinance declaring it necessary to levy a tax in excess of the ten mill limitation. The new levy, if vote approved, would be used to finance ambulance service operations. The levy was passed in March 2016 and will start to be collected in 2017.



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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 8, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative 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 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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. We consider Findings 2016-001 and 2016-006 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2016-005 described in the accompanying Schedule of Findings to be a significant deficiency.

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 is described in the accompanying Schedule of Findings as items 2016-001 through 2016-005.

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

August 8, 2017

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2016-001

Noncompliance and Material Weakness

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 (non-business credits, owner-occupancy credits and homestead credits) as well as distributes the commercial activity tax and kilowatt hour tax. These revenues were derived and allocated based upon property tax levies. Additionally, Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. Ohio Rev. Code § 5705.01(E) defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

During 2016 and 2015, there were multiple instances where Property and Local Taxes and Intergovernmental Revenue derived from levies were reported in incorrect funds. In addition, Sale of Assets was incorrectly included in a Special Revenue Fund instead of a Capital Projects Fund. They included the following:

- 2016 tax reimbursements were posted entirely to the General Fund instead of being allocated to the correct tax levying funds. Additionally, 2016 first half property taxes levied for the Fire Truck Fund were posted entirely to the Fire Fund. As a result, the cash balances of the General Fund and Fire Fund were overstated by \$2,794 and 11,502, respectively. The cash balances of the Police Fund and Fire Truck Fund were understated by \$524 and \$13,772, respectively;
- 2015 tax reimbursements were posted entirely to the General Fund instead of being allocated to the correct tax levying funds. Additionally, the Village received \$2,500 in asset sales and reported this receipt in the Fire Fund, a special revenue fund. However, the Village was required to report this revenue in a capital projects fund. As a result, the cash balances of the General Fund and Fire Fund were overstated by \$2,808 and \$2,038. The cash balances of the Police Fund and Fire Truck Fund were understated by \$527 and \$4,319, respectively;
- Tax reimbursements, commercial activity tax and kilowatt hour tax activity were reported as Property and Other Local Taxes instead of Intergovernmental Revenue. Additionally, Municipal Income Tax, Earnings on Investments, Sale of Assets and Miscellaneous Revenue were incorrectly included in Property and Other Local Taxes. Also, Property and Other Local Taxes and Sale of Assets were incorrectly reported as Sale of Notes in one instance. As a result of the adjustments and classification errors, the following differences were noted in reporting:
 - For the 2016 General Fund, Property and Other Local Taxes was overstated by \$16,549, General Government disbursements, Intergovernmental Revenue, Municipal Income Tax, Earnings on Investments and Miscellaneous Revenue were understated by \$59, \$5,642, \$8,089, \$14 and \$69, respectively;
 - For the 2016 Fire Fund, Sales of Notes and Property and Other Local Taxes were overstated by \$16,990 and \$145, respectively. Security of Persons and Property disbursements and Intergovernmental Revenue were understated by \$7 and \$640, respectively;

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**
SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2016-001 (Continued)

Noncompliance and Material Weakness (Continued)

- For the 2016 Police Fund, Property and Other Local Taxes was overstated by \$294. Intergovernmental Revenue and Security of Persons and Property disbursements were understated by \$826 and \$8 respectively;
 - For the 2016 Fire Truck Fund, Property and Other Local Taxes, Intergovernmental Revenue, Sale of Assets and Security of Persons and Property disbursements were understated by \$12,143, \$1,762, \$5,000 and \$153 respectively;
 - For the 2015 General Fund, Property and Other Local Taxes was overstated by \$8,058, General Government disbursements and Intergovernmental Revenue were understated by \$1,642 and \$6,892 respectively;
 - For the 2015 Fire Fund, Property and Other Local Taxes was overstated by \$3,143. Security of Persons and Property disbursements and Intergovernmental Revenue were understated by \$77 and \$1,182, respectively;
 - For the 2015 Police Fund, Property and Other Local Taxes and Municipal Income Taxes were overstated by \$196 and \$1,080, respectively. Intergovernmental Revenue and Security of Persons and Property disbursements were understated by \$1,909 and \$106 respectively; and
 - For the 2015 Fire Truck Fund, Property and Other Local Taxes were overstated by \$1,180. Proceeds from the Sale of Assets, Intergovernmental Revenue and Security of Persons and Property disbursements were understated by \$2,500, \$3,284 and \$285 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 \$5,602;
 - The Fire Fund cash balance was overstated by \$18,540;
 - The Police Fund cash balance was understated by \$1,051; and
 - The Fire Truck Fund cash balance was understated by \$23,071.

Inaccurate reporting of revenue could lead to tax levy money and other funds 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 changes required by the audit have been completed by Brian Bankert of Governmental Accounting. A "Cheat Sheet" showing where money should be disbursed has been obtained to correct problem. Council members do receive copies of all financials and sign them.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2016-002

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 2016 as follows:

| Fund | <u>Appropriations</u> | <u>Estimated Resources</u> | <u>Variance</u> |
|-------------------------|------------------------------|-----------------------------------|------------------------|
| 2016: | | | |
| Street Fund | \$190,000 | \$178,087 | (\$11,913) |
| Cemetery Fund | 15,000 | 746 | (14,254) |
| Debt – Water/Sewer Fund | 133,200 | 31,979 | (101,221) |
| Water Fund | 159,000 | 125,468 | (33,532) |
| Sewer Fund | 133,000 | 23,814 | (109,186) |

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: Fiscal Officer has questioned how this is to be done and has looked at the past records for guidance. Will not refer to the past any longer.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2016-003

Noncompliance

Ohio Rev. Code § 5705.40 allows 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 a 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 2015 and 2016, appropriations reported in the financial system did not always agree to Council approved amounts. Variances between approved appropriations and system appropriations was (\$270,815) to \$79,326 and (\$173,000) to \$45,400 in 2015 and 2016 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 (\$149,850) to \$299,616 and (\$156,736) to \$48,266 in 2015 and 2016, 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: Realized there was a problem with appropriations and have contacted Stacey Spillman at the local level (County Auditor's Office) for help. Stacey also gave me a name of a person who goes around to help teach how to do this.

FINDING NUMBER 2016-004

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 2016 and 2015 as follows:

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-004 (Continued)

Noncompliance (Continued)

| Fund | Appropriations (including Prior Year Carryover) | Expenditures and Commitments | Variance |
|-------------------------|--|---|-----------------|
| 2016: | | | |
| Grants Fund | 0 | 44,734 | (44,734) |
| Fire Fund | 3,500 | 114,020 | (110,520) |
| Parks Fund | 0 | 9,504 | (9,504) |
| Police Fund | 624 | 16,616 | (15,992) |
| Water Filtration Fund | 0 | 62,709 | (62,709) |
| Fire Truck Fund | 0 | 32,605 | (32,605) |
| Storm Sewer Revenue | 1,312 | 52,926 | (51,614) |
| Sewer Reserve Fund | 0 | 4,798 | (4,798) |
| Water Fund | 162,211 | 186,515 | (24,304) |
| Sewer Fund | 134,107 | 150,398 | (16,291) |
| | | | |
| 2015: | | | |
| State Highway Fund | 2,525 | 12,075 | (9,550) |
| Marcus Fund | 0 | 45,904 | (45,904) |
| Fire Fund | 177,099 | 293,757 | (116,658) |
| Cemetery Fund | 250 | 14,138 | (13,888) |
| Debt – Water/Sewer Fund | 0 | 49,623 | (49,623) |
| Sewer Fund | 183,994 | 454,971 | (270,977) |
| Water Debt | 0 | 11,417 | (11,417) |

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: Have looked at past records and will not refer to them anymore.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2016-005

Noncompliance and Significant Deficiency

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

Ohio Rev. Code Ohio Rev. Code § 4504.172 documents that for the purpose of paying the costs and expenses of enforcing and administering the tax provided for in this section; to supplement revenue already available to municipal corporations under §§ 4504.04, 4504.06, 4504.17, or 4507.171 of the Revised Code, and to provide additional revenue for the purposes set forth in those sections, the legislative authority of any municipal corporation may levy an annual license tax, without regard to any tax being levied pursuant to §§ 4504.06, 4504.17, or 4504.171, or received pursuant to § 4504.04 of the Revised Code, and in addition to the tax levied by §§ 4503.02, 4503.07, and 4503.18 of the Revised Code, upon the operation of motor vehicles on the public roads or highways.

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 revenues.

Additionally, the Village received permissive license tax revenue pursuant to Ohio Rev. Code § 4504.172. The Village has established a Permissive Tax Fund to account for this revenue.

During both years, the Village received these revenues in these three funds. However, the Village did not always report permissive license tax in the Permissive Tax Fund. Gasoline excise tax and state and local government highway distribution were not always properly allocated to the Street Maintenance Fund and State Highway Fund. Additionally, gasoline taxes were incorrectly received in the General Fund in 2015. Revenue was inaccurately reported as follows:

- During 2016, the Street Maintenance Fund under reported activity by \$8,158. The State Highway Fund and Permissive Tax Fund over reported activity by \$485 and \$7,673, respectively;
- During 2015, the Street Maintenance Fund and State Highway Fund under reported activity by \$9,169 and \$740, respectively. The General Fund and Permissive Tax Fund over reported activity by \$725 and \$9,184, respectively;
- The net impact to the cash fund balances for the items noted above was as follows:

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2016-005 (Continued)

Noncompliance and Significant Deficiency (Continued)

- The General Fund cash balance and Intergovernmental Revenue was overstated by \$725;
- The Permissive Tax Fund cash balance and Intergovernmental Revenue was overstated by \$16,857;
- The Street Maintenance Fund cash balance and Intergovernmental Revenue was understated by \$17,327; and
- The State Highway Fund cash balance and Intergovernmental Revenue was understated by \$255.

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: Corrections have been completed by contacting Brian Bankert from Governmental Accounting.

FINDING NUMBER 2016-006

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 reported \$195,000 in Capital Outlay expenditures from the Fire Fund as Other Financing Uses in 2015;
- Capital Outlay disbursements were required to be reported as Non-Operating disbursements instead of Operating disbursements in Enterprise Funds. Capital Outlay disbursements were \$12,373 and \$15,260 were incorrectly identified as Operating activity instead of Non-Operating activity in 2016 and 2015, respectively;

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2016-006 (Continued)

Material Weakness (Continued)

- The Village received a \$44,734 grant from the Reeves Foundation in 2016. This revenue was reported as Intergovernmental Revenue in the Grants Fund. However, while the amount was a grant, it was not obtained from another governmental entity. As a result, the grant should be reported as Contributions and Donations;
- During the prior period, the Village received \$23,342 in FEMA funding. This revenue was reported in the FEMA Fund; however, disbursements were paid from the Fire fund instead of the FEMA fund. The disbursements should have been reported from the FEMA fund;
- The Village received \$5,422 and \$526 in Contributions and Donations in the General Fund in 2016 and 2015, respectively. They were incorrectly identified as Charges for Services;
- Principal Retirement, Interest and Fiscal Charges and other activity were not identified correctly on the financial statements as payments for interest were reported as principal payments and as debt payments were reported as other types of disbursements. This resulted in the following classification differences:
 - The Village reported \$29,600, \$2,900, \$2,900 and \$2,700 as Other Financing Uses, Transportation, Public Health and Capital Outlay in the Special Revenue Funds, respectively, in 2016. However, these payments were for Principal Retirement and Interest and Fiscal Charges of \$34,395 and \$3,705, respectively;
 - The Village reported \$7,050 in Interest and Fiscal Charges as Principal Retirement in the Debt Service Funds in 2016;
 - The Village reported \$6,935 in Interest and Fiscal Charges as Principal Retirement in the Capital Projects Funds in 2016;
 - The Village reported \$7,842 in Interest and Fiscal Charges as Principal Retirement in the Enterprise Funds in 2016;
 - The Village reported \$2,382 in Principal Retirement and \$468 in Interest and Fiscal Charges as Contractual Services in the Enterprise Funds in 2016;
 - The Village reported \$22,948 as Other Financing Uses in the Special Revenue Funds in 2015. However, this amount was for Principal Retirement and Interest and Fiscal Charges of \$20,965 and \$1,983, respectively;
 - The Village reported \$1,586 in Interest and Fiscal Charges as Principal Retirement in the Special Revenue Funds in 2015;
 - The Village reported \$14,086 in Interest and Fiscal Charges as Principal Retirement in the Debt Service Funds in 2015;
 - The Village reported \$16,419 in Interest and Fiscal Charges as Principal Retirement in the Enterprise Funds in 2015;
 - The Village reported \$3,565 as Supplies and Materials in the Enterprise Funds in 2015. However, this amount was for Principal Retirement and Interest and Fiscal Charges of \$2,251 and \$1,314, respectively; and
 - The Village reported \$960 in Charges for Services revenue in the Sewer Reserve Fund which should have been received in the Storm Sewer Revenue Fund.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
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FINDING NUMBER 2016-006 (Continued)

Material Weakness (Continued)

- Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 required reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 required reporting funds whose revenue had constraints imposed by Council, which could not be changed without Council approval, as Committed. GASB Cod. 1800.173-176 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 Cod. 1800.177 required other governmental funds to report a negative unassigned fund balance when a deficit balance is incurred. 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 deficiency of subsequent year appropriations exceeding estimated revenue at the end of 2016 and 2015 in the amounts of \$159,617 and \$104,482, respectively. However, these amounts were reported as Unassigned instead of Assigned. Additionally, General Fund encumbered cash balances of \$1,590 were reported as Unassigned instead of Assigned in 2016;
 - The State Highway Fund has deficit balances of \$4,072 and \$7,521 in 2016 and 2015, respectively. These fund balances were incorrectly reported as Restricted instead of Unassigned;
 - The Permissive Tax Fund has deficit balances of \$16,291 and \$27,779 in 2016 and 2015, respectively. These fund balances were incorrectly reported as Restricted instead of Unassigned;
 - The Debt – Water / Sewer Fund has deficit balances of \$1,060 and \$8,839 in 2016 and 2015, respectively. These fund balances were incorrectly reported as Committed instead of Unassigned; and
 - 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 \$119,066 and 109,326 in 2016 and 2015, respectively. Additionally, the Village reported Assigned amounts for \$5,961 and \$68,670 in 2016 and 2015, respectively.

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: Corrections have been completed by contacting Brian Bankert of Governmental Accounting.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|---------------|-------------------------------|
| 2014-001 | Ohio Rev. Code § 5705.10(C) requires revenue derived from a special levy fund shall be credited to that fund. | Repeat | |
| 2014-002 | Ohio Rev. Code § 5705.39 appropriations exceeded total estimated resources. | Repeat | |
| 2014-003 | Ohio Rev. Code § 5705.40 reported appropriations and estimated revenue did not always agree to Council approved amounts. | Repeat | |
| 2014-004 | Ohio Rev. Code § 5705.41(B) expenditures exceeded appropriations. | Repeat | |
| 2014-005 | Ohio Rev. Code § 5735.28 the required percent was not posted to the State Highway Fund. | Repeat | |
| 2014-006 | Financial Reporting-material reclasses and adjustments | Repeat | |



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
AUGUST 22, 2017