

***VILLAGE OF NORTH BALTIMORE***

***WOOD COUNTY***

**Audit Report**

**For the Year Ended December 31, 2015**





# Dave Yost • Auditor of State

Village Council  
Village of North Baltimore  
205 N. Main St.  
North Baltimore, OH 45872

We have reviewed the *Stephen Flickinger* of the Village of North Baltimore, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of North Baltimore is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 27, 2017

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**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Village of North Baltimore  
Wood County  
205 North Main Street  
North Baltimore, Ohio 45870

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 North Baltimore, Wood County, (the Village) as of and for the year ended December 31, 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 Section 117.38 and Ohio Administrative Code Section 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 opinion.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(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 Section 117.38 and Ohio Administrative Code Section 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, 2015, or changes in financial position or its cash flows, thereof for the year 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 North Baltimore, Wood County as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 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.



***Charles E. Harris & Associates, Inc.***

May 26, 2017



**Village of North Baltimore, Ohio**  
**Wood 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	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$133,737	\$86,686	\$45,389	\$0	\$265,812
Municipal Income Tax	736,776	0	0	0	736,776
Intergovernmental	54,656	260,359	5,887	0	320,902
Special Assessments	0	184,809	0	0	184,809
Charges for Services	234,474	2,375	0	0	236,849
Fines, Licenses and Permits	34,554	27,285	0	0	61,839
Earnings on Investments	22,828	286	0	0	23,114
Miscellaneous	10,312	4,339	0	0	14,651
<i>Total Cash Receipts</i>	<u>1,227,337</u>	<u>566,139</u>	<u>51,276</u>	<u>0</u>	<u>1,844,752</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	734,540	108,323	0	0	842,863
Public Health Services	197,701	0	0	0	197,701
Leisure Time Activities	0	67,502	0	0	67,502
Community Environment	4,258	3,432	0	0	7,690
Basic Utility Services	0	178,856	0	0	178,856
Transportation	0	363,888	0	0	363,888
General Government	393,184	2,291	710	0	396,185
Capital Outlay	0	0	0	12,000	12,000
Debt Service:					
Principal Retirement	0	0	40,484	0	40,484
Interest and Fiscal Charges	0	0	10,745	0	10,745
<i>Total Cash Disbursements</i>	<u>1,329,683</u>	<u>724,292</u>	<u>51,939</u>	<u>12,000</u>	<u>2,117,914</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(102,346)</u>	<u>(158,153)</u>	<u>(663)</u>	<u>(12,000)</u>	<u>(273,162)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds: USDA Loan	32,100	0	0	0	32,100
Transfers In	0	38,500	0	29,000	67,500
Transfers Out	(58,500)	(9,000)	0	0	(67,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(26,400)</u>	<u>29,500</u>	<u>0</u>	<u>29,000</u>	<u>32,100</u>
<i>Net Change in Fund Cash Balances</i>	<u>(128,746)</u>	<u>(128,653)</u>	<u>(663)</u>	<u>17,000</u>	<u>(241,062)</u>
<i>Fund Cash Balances, January 1</i>	<u>755,114</u>	<u>843,982</u>	<u>29,961</u>	<u>266,927</u>	<u>1,895,984</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	715,329	29,298	5,835	750,462
Assigned	187,216	0	0	278,092	465,308
Unassigned (Deficit)	439,152	0	0	0	439,152
<i>Fund Cash Balances, December 31</i>	<u>\$626,368</u>	<u>\$715,329</u>	<u>\$29,298</u>	<u>\$283,927</u>	<u>\$1,654,922</u>

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

**Village of North Baltimore, Ohio**  
*Wood County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2015*

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts</b>			
Charges for Services	\$2,565,471	\$0	\$2,565,471
Miscellaneous	31,322	0	31,322
<i>Total Operating Cash Receipts</i>	2,596,793	0	2,596,793
<b>Operating Cash Disbursements</b>			
Personal Services	411,720	0	411,720
Employee Fringe Benefits	121,658	0	121,658
Contractual Services	498,924	0	498,924
Supplies and Materials	197,887	0	197,887
Other	943	0	943
<i>Total Operating Cash Disbursements</i>	1,231,132	0	1,231,132
<i>Operating Income (Loss)</i>	1,365,661	0	1,365,661
<b>Non-Operating Receipts (Disbursements)</b>			
Property and Other Local Taxes	4,500	0	4,500
Debt Proceed: USDA	113,097	0	113,097
Capital Outlay	(344,865)	0	(344,865)
Principal Retirement	(531,700)	0	(531,700)
Interest and Other Fiscal Charges	(353,438)	0	(353,438)
Mayor's Court Receipts	0	12,445	12,445
Mayor's Court Disbursements	0	(12,445)	(12,445)
<i>Total Non-Operating Receipts (Disbursements)</i>	(1,112,406)	0	(1,112,406)
<i>Income (Loss) before Transfers</i>	253,255	0	253,255
Transfers In	726,200	0	726,200
Transfers Out	(726,200)	0	(726,200)
<i>Net Change in Fund Cash Balances</i>	253,255	0	253,255
<i>Fund Cash Balances, January 1</i>	4,074,911	0	4,074,911
<i>Fund Cash Balances, December 31</i>	\$4,328,166	\$0	\$4,328,166

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

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Village of North Baltimore (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department and part-time EMS department.

***Public Entity Risk Pool***

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provides additional information for the public entity risk pool. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Street Paving and Reconstruction Fund*** The street paving and reconstruction fund accounts for property tax levy and rollback and homestead money for the paving and reconstruction of Village streets.

***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 Fund:

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2 - Summary of Significant Accounting Policies – (continued)**

***Fire Equipment Debt Fund*** The fire equipment debt fund accounts for property taxes and rollback and homestead money. It is used to pay monthly debt payments for the fire pumper recently purchased.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

***Vehicle Equipment Replacement Fund*** The vehicle equipment replacement fund accounts for transfers from various funds to segregate monies to be used for future capital purchases.

***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 Utility Operating Fund*** The water utility operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Utility Operating Fund*** The sewer utility operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Wastewater Capital Improvement Reserve Fund*** The wastewater capital improvement reserve fund accounts for Federal and State grants and loans and accounts for the related expenses in regards to the sanitary sewer project.

***First Mortgage Debt Service Fund*** The first mortgage debt service fund receives transfers from Wastewater and Storm water and is used to pay principal and interest on enterprise related debt.

***Fiduciary Funds*** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court Fund, which is used to account for the activity of the Village's Mayor's Court.

***Basis of Accounting***

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 Council 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).

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2 - Summary of Significant Accounting Policies – (continued)**

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.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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.

***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.

***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 4.

***Deposits and Investments***

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

The Village values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report.

***Capital Assets***

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

***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.

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2 - Summary of Significant Accounting Policies – (continued)**

***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:

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

***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.

***Committed*** The Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***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 ordinance, or by State Statute. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

***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.

**Note 3 - Compliance**

Contrary to Ohio Revised Code Section 5705.39, total appropriations exceeded available estimated resources in the EMS Equipment Fund by \$10,293; Fire Equipment Fund by \$105,621; and Wastewater Capital Improvement Fund by \$307,091 for the year ended December 31, 2015.

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 4 - 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	\$1,852,249	\$1,259,437	(\$592,812)
Special Revenue	504,444	604,639	100,195
Debt Service	50,345	51,276	931
Capital Projects	29,000	29,000	0
Enterprise	3,411,000	3,440,590	29,590

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,822,791	\$1,575,399	\$247,392
Special Revenue	1,026,606	733,292	293,314
Debt Service	52,154	51,939	215
Capital Projects	12,000	12,000	0
Enterprise	4,764,331	3,187,335	1,576,996

**Note 5 – 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	\$2,209,386
Certificates of deposit	1,883,000
Total deposits	4,092,386
Money market	3,730
Fannie Mae	408,708
FHLN	374,995
FNM	155,025
FHLB	254,771
Freddie Mac	693,473
Total investments	1,890,702
Total deposits and investments	\$5,983,088

***Deposits***

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

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 5 – Deposits and Investments – (continued)**

***Investments***

During 2015, the Village invested in various bonds and notes and these are recorded at cost and held by Charles Schwab and SJS Investments. During 2015, the Village signed an investment management agreement with Meeder Investment Management. Meeder is affiliated with STAR Ohio.

**Note 6 – Taxes**

***Property Taxes***

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.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

***Income Taxes***

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

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

**Note 7 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.



**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 7 - Risk Management – (continued)**

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village’s share of these unpaid claims collectible in future years is approximately \$30,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$44,448	\$47,457

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

***Ohio Police and Fire Retirement System***

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 11.5% of their wages from January 1 to June 30, 2015 and 12.25% from July 1 to December 31, 2015. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2015.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 10 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$585,000	4.51%
Ohio Water Development Authority Loan -#2834	532,264	2.00%
Ohio Water Development Authority Loan -#3330	60,275	6.39%
Ohio Water Development Authority Loan -#3380	763,826	2.00%
Ohio Water Development Authority Loan -#3921	143,876	2.00%
USDA Loan #1	4,216,000	2.75%
USDA Loan #3	4,924,000	2.75%
USDA Loan #4	1,514,854	2.75%
USDA Loan #6	32,100	3.50%
Ohio Public Works Commission Loan - CE32B	21,804	0.00%
Ohio Public Works Commission Loan - CT25M	27,011	0.00%
Ohio Public Works Commission Loan - CE42P	148,392	0.00%
Henry County Bank	325,326	3.10%
Total	<u>\$13,294,728</u>	

The Village has one outstanding general obligation bond issue at December 31, 2015. It is backed by the full faith and credit of the Village of North Baltimore and will be paid from the enterprise fund through user fees. Semi-annual payments are due on this obligation.

The Village has four loans from the Ohio Water Development Authority with interest rates ranging from 2.00% to 6.39%. These loans were obtained to make improvements to the Village water and wastewater systems. Semi-annual payments are due on each loan including interest.

The Village has three loans from the Ohio Public Works Commission (OPWC). These loans have interest rates of 0.00%. These loans were obtained to make Water Treatment Plant improvements, and to help finance the Sewer Separation Project, respectively. The balance of OPWC loan # CT25M was adjusted due to an error found in the OPWC billing which inadvertently left off \$3,000 from the principal amount on the loan. The yearly amortization was increased from \$889 to \$1,005.

The Village has three loans from the United States Department of Agriculture. These loans have interest rates of 2.75% each. These loans were obtained to finance the Sewer Separation Project. Principal and interest payments are due annually. In 2015, the Village obtained a new USDA Loan #6 for the purchase of police and EMS vehicles at 3.5% rate.

The Village has one loan from the Henry County Bank. This loan has an interest rate of 3.10%. This loan was obtained to purchase a new fire pumper in 2013. Principal and interest payments are due monthly and are funded by a property tax initiative of 1.3 mills approved in 2012.

**Village of North Baltimore, Ohio**  
*Wood County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 10 – Debt - (continued)**

***Amortization***

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

Year ending	General				Henry County
December 31:	<u>OPWC Loans</u>	<u>OWDA Loan</u>	<u>Obligation Bonds</u>	<u>USDA Loans</u>	<u>Bank</u>
2016	\$10,280	\$310,690	\$87,075	\$549,848	\$51,229
2017	10,396	310,690	84,075	549,293	51,229
2018	10,396	310,690	61,075	547,600	51,229
2019	10,396	310,690	59,295	549,798	51,229
2020	10,396	170,421	57,515	548,775	51,229
2021-2025	30,060	194,384	293,218	2,745,873	132,921
2026-2030	29,600		117,590	2,746,020	
2031-2035	29,300			2,744,455	
2036-2040	29,715			2,745,465	
2041-2045	26,668			2,745,760	
2046-2050				2,746,473	
2051-2055				1,096,643	
Total	<u>\$197,207</u>	<u>\$1,607,565</u>	<u>\$759,843</u>	<u>\$20,316,003</u>	<u>\$389,066</u>

**Note 11 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village’s financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the state and federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Related Party Transactions**

One Village Council member’s brother is the Utility Superintendent for the Village. Their father, along with the aforementioned council member provides contracted sanitation services for the Village, and has for over the past 40 years. The same sanitation company assists the Village with wintertime snow removal from Main Street. The Village paid \$14,125 in 2015 for these services.

**Note 13 – Transfers**

The Village transferred funds to the Capital Projects – Vehicle Equipment Replacement Fund from the General, certain Special Revenue Funds and Enterprise Funds by resolution for the acquisition of capital assets, including motor vehicles and payment of debt. Also, the Village transferred money from the General fund to various other funds to subsidize operations. The transfers are in compliance with the Ohio Revised Code.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of North Baltimore  
Wood County  
205 North Main Street  
North Baltimore, Ohio 45870

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 North Baltimore, Wood County, (the Village) as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2015-002 and 2015-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 26, 2017.

***Village's Responses to Findings***

The Village's responses to the findings identified in our audit are described in the corrective action plan. 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.



***Charles E. Harris & Associates, Inc.***  
May 26, 2017

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001: Material Weakness**

During 2015, the Village erroneously recorded several transactions. The more significant adjustments were to adjust recorded proceeds of US Department of Agriculture (USDA) loans amounting to \$113,097 as intergovernmental revenue rather than loan proceeds.

Adjustments were made in the financial statements to reflect the proper presentation. The Village Officers' Handbook and the Creative Microsystems (CMI) accounting manual used by the Village provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Village refer to the Village Officers' Handbook, the Ohio Administrative Code and Auditor of State guidance to properly classify its transactions. We also recommend the Finance Officer review all reports compiled by the computer system to ensure their accuracy.

**Management Response:**

See Corrective Action Plan.

**FINDING NUMBER 2015-002: Material Non-Compliance**

Ohio Revised Code §5705.39 states that appropriations should not exceed estimated resources. In 2015, Village appropriations were greater than estimated resources in several funds, namely: Wastewater Capital Improvement Fund by \$307,091, Fire Equipment Fund by \$105,621 and EMS Equipment Fund by \$10,293. We recommend that the Village closely monitor its budget to avoid passing appropriation resolutions that exceed available resources.

**Management Response:**

See Corrective Action Plan.

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

**SCHEDULE OF FINDINGS – (continued)  
DECEMBER 31, 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</b>
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**FINDING NUMBER 2015-003: Material Non-Compliance**

U.S. Department of Agriculture (USDA) RUS Bulletin 1780-30 requires that entities receiving financial assistance from USDA Water Programs are required to submit financial statement audits. The objective of a financial statement audit is to provide assurance about whether the financial statements present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles (GAAP). The reporting requirements that must be submitted to the USDA are:

- Annual audited financial statements within 150 days of the entity’s fiscal year-end (7CFR Part 1780.47 (a)).
- Form RD 442-2, Statement of Budget, Income and Equity (7 CFR Part 1780.47 (f) (2)).
- Form RD 442-3, Balance Sheet (7 CFR Part 1780.41 (a) (3)).

The Village has an outstanding loan balance of \$10,686,954 from USDA as of December 31, 2016 and drew down an additional \$113,097 in loan proceeds in 2015. The Village filed their financial statements using the regulatory basis of accounting rather than GAAP and the audit was performed on those regulatory statements. We recommend that the Village file GAAP financial statements and have an audit performed on those financial statements to comply with the USDA requirements.

**Management Response:**

See Corrective Action Plan.



**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Improper recording of receipts and loan proceeds from USDA	Not corrected	Repeated as Finding # 2015-001.
2014-002	ORC 5705.41(D) - Purchase orders were not always properly completed and utilized	Corrected	
2014-003	USDA Bulletin 1780-30 requiring entries receiving financial assistance from USDA to file GAAP	Not corrected	Repeated as Finding # 2015-003.

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

**CORRECTIVE ACTION PLAN  
December 31, 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2015-001	The Village Finance Officer will review Creative Microsystems, Inc. (CMI) accounting materials and the Village Officers' Handbook to ensure proper recording of receipts.	Fiscal year 2017	Chris Kirk, Finance Officer
2015-002	The Village Finance Officer will closely monitor all appropriations to ensure they do not exceed estimated resources.	Fiscal year 2017	Chris Kirk, Finance Officer
2015-003	The administration evaluated the requirements and has determined the costs of compliance far outweigh the benefits of preparing a GAAP report and having the corresponding audit. Administration would rather pass the cost savings along to the citizens.	n/a	Chris Kirk, Finance Office



# Dave Yost • Auditor of State

VILLAGE OF NORTH BALTIMORE

WOOD 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  
OCTOBER 10, 2017