



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NORTH BALTIMORE
WOOD COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of North Baltimore
Wood County
205 North Main Street
North Baltimore, Ohio 45872-1126

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, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 such 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 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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of North Baltimore, Wood County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(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 October 31, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

October 31, 2019

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, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$136,491	\$75,462	\$44,560		\$256,513
Municipal Income Tax	1,029,927				1,029,927
Intergovernmental	45,793	203,188	5,305		254,286
Special Assessments		184,578			184,578
Charges for Services	225,279	2,650			227,929
Fines, Licenses and Permits	35,775	983			36,758
Earnings on Investments	74,195				74,195
Miscellaneous	63,138	1,522			64,660
<i>Total Cash Receipts</i>	<u>1,610,598</u>	<u>468,383</u>	<u>49,865</u>		<u>2,128,846</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,164,678	52,138			1,216,816
Public Health Services	36,792				36,792
Leisure Time Activities		87,307			87,307
Community Environment		25,871			25,871
Basic Utility Services		2,299			2,299
Transportation		411,787			411,787
General Government	281,981	150	347		282,478
Capital Outlay				\$75,000	75,000
Debt Service:					
Principal Retirement			44,411		44,411
Interest and Fiscal Charges			6,818		6,818
<i>Total Cash Disbursements</i>	<u>1,483,451</u>	<u>579,552</u>	<u>51,576</u>	<u>75,000</u>	<u>2,189,579</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>127,147</u>	<u>(111,169)</u>	<u>(1,711)</u>	<u>(75,000)</u>	<u>(60,733)</u>
Other Financing Receipts (Disbursements)					
Transfers In		22,462			22,462
Transfers Out	(22,462)				(22,462)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(22,462)</u>	<u>22,462</u>			
<i>Net Change in Fund Cash Balances</i>	104,685	(88,707)	(1,711)	(75,000)	(60,733)
<i>Fund Cash Balances, January 1</i>	<u>603,781</u>	<u>882,192</u>	<u>27,899</u>	<u>240,233</u>	<u>1,754,105</u>
Fund Cash Balances, December 31					
Restricted		793,485	26,049	5,835	825,369
Assigned	7,182		139	159,398	166,719
Unassigned	701,284				701,284
<i>Fund Cash Balances, December 31</i>	<u>\$708,466</u>	<u>\$793,485</u>	<u>\$26,188</u>	<u>\$165,233</u>	<u>\$1,693,372</u>

See accompanying notes to the basic financial statements

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, 2018

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$2,743,465		\$2,743,465
Miscellaneous	38,281		38,281
<i>Total Operating Cash Receipts</i>	<u>2,781,746</u>		<u>2,781,746</u>
Operating Cash Disbursements			
Personal Services	403,340		403,340
Employee Fringe Benefits	134,193		134,193
Contractual Services	329,345		329,345
Supplies and Materials	217,408		217,408
Other	1,316		1,316
<i>Total Operating Cash Disbursements</i>	<u>1,085,602</u>		<u>1,085,602</u>
<i>Operating Income</i>	<u>1,696,144</u>		<u>1,696,144</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	24,714		24,714
Capital Outlay	(188,644)		(188,644)
Principal Retirement	(559,333)		(559,333)
Interest and Other Fiscal Charges	(376,266)		(376,266)
Mayor's Court Receipts		\$19,034	19,034
Mayor's Court Disbursements		(\$19,034)	(19,034)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,099,529)</u>		<u>(1,099,529)</u>
<i>Net Change in Fund Cash Balances</i>	596,615		596,615
<i>Fund Cash Balances, January 1</i>	<u>5,380,284</u>		<u>5,380,284</u>
<i>Fund Cash Balances, December 31</i>	<u>\$5,976,899</u>		<u>\$5,976,899</u>

See accompanying notes to the basic financial statements

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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.

Parks and Recreation Fund The parks and recreation fund accounts for and reports shelter house rentals and general fund transfers to fund construction and maintenance of the park.

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:

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.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 expense in regards to the sanitary sewer project.

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 Village's Mayors 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).

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.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 2018 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.

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.

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 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.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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 law, budgetary expenditures exceeded appropriation authority in the Parks and Recreation fund by \$35,347 for the year ended December 31, 2018.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,516,948	\$1,610,598	\$93,650
Special Revenue	561,087	490,845	(70,242)
Debt Service	49,794	49,865	71
Capital Projects	20,000		(20,000)
Enterprise	3,760,860	2,806,460	(954,400)
Total	\$5,908,689	\$4,957,768	(\$950,921)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,814,063	\$1,513,095	\$300,968
Special Revenue	658,491	581,919	76,572
Debt Service	52,005	51,576	429
Capital Projects	75,000	75,000	
Enterprise	3,298,509	2,276,617	1,021,892
Total	\$5,898,068	\$4,498,207	\$1,399,861

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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:

	<u>2018</u>
Demand deposits	<u>\$2,980,734</u>
U.S. Treasury Notes	<u>4,689,537</u>
Total deposits and investments	<u><u>\$7,670,271</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Village invested in various U.S. Treasury Notes and these are recorded at cost and held by Charles Schwab and Meeder Investment Management in the Village's name at December 31, 2018.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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. The Village has a contract with City of Cleveland – Central Collection Agency to collect income tax on behalf of the Village.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$ 12,965,015

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, 2018.

Ohio Police and Fire Retirement System

The Village's 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 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Social Security

Some of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$425,000	4.51%
Ohio Water Development Authority Loan - #2834	137,044	2.00%
Ohio Water Development Authority Loan - #3330	22,014	6.39%
Ohio Water Development Authority Loan - #3380	393,310	2.00%
Ohio Water Development Authority Loan - #3921	92,588	2.00%
USDA Loan #1	4,010,000	2.75%
USDA Loan #3	4,682,000	2.75%
USDA Loan #4	3,337,000	2.75%
Ohio Public Works Commission Loan - CE10T	40,915	0.00%
Ohio Public Works Commission Loan - CE32B	6,541	0.00%
Ohio Public Works Commission Loan - CT25M	23,610	0.00%
Ohio Public Works Commission Loan - CE42P	130,786	0.00%
Ohio Public Works Commission Loan - CE36U	132,807	0.00%
Henry County Bank	196,142	3.10%
Total	<u>\$13,629,757</u>	

The Village has one outstanding general obligation bond issue at December 31, 2018. 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.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village has four loans from the Ohio Water Development Authority (OWDA) 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 United States Department of Agriculture (USDA). 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.

The Village has five 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, water line replacement, and to help finance the Sewer Separation Project. There is no amortization schedule available yet for OPWC Loan #CE36U as the project is still on going.

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.

Amortization

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

Year Ending December 31:	General Obligation Bond	OWDA Loans	USDA Loans	OPWC Loans	Henry County Bank
2019	\$59,295	\$310,249	\$549,748	\$11,806	\$51,229
2020	57,515	163,003	548,775	9,626	51,229
2021	60,735	155,281	549,615	7,446	51,229
2022	58,733	19,551	549,263	7,446	51,229
2023	56,730	19,551	548,745	7,446	5,961
2024-2028	234,610		2,745,665	37,229	
2029-2033			2,744,770	37,229	
2034-2038			2,746,073	37,229	
2039-2043			2,744,365	35,722	
2044-2048			2,726,193	10,673	
2049-2052			2,196,000		
Total	<u>\$527,618</u>	<u>\$667,635</u>	<u>\$18,649,212</u>	<u>\$201,852</u>	<u>\$210,877</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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

A Village Council member and his family are owner of a company from which the Village acquired sanitation services during the year, and has for over the past 40 years. The same company also assists the Village with snow removal from Main Street. The Village paid \$11,985 in 2018 for these services.

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, 2017*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$129,121	\$75,243	\$49,528		\$253,892
Municipal Income Tax	910,571				910,571
Intergovernmental	48,140	185,743	6,419		240,302
Special Assessments		207,179			207,179
Charges for Services	308,655	2,870			311,525
Fines, Licenses and Permits	44,712	1,155			45,867
Earnings on Investments	50,070	652			50,722
Miscellaneous	106,942	11,112			118,054
<i>Total Cash Receipts</i>	<u>1,598,211</u>	<u>483,954</u>	<u>55,947</u>		<u>2,138,112</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,128,344	49,550			1,177,894
Public Health Services	41,962				41,962
Leisure Time Activities		45,476			45,476
Basic Utility Services		70,473			70,473
Transportation		255,518			255,518
General Government	253,786		757		254,543
Capital Outlay				\$45,671	45,671
Debt Service:					
Principal Retirement			43,059		43,059
Interest and Fiscal Charges			8,169		8,169
<i>Total Cash Disbursements</i>	<u>1,424,092</u>	<u>421,017</u>	<u>51,985</u>	<u>45,671</u>	<u>1,942,765</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>174,119</u>	<u>62,937</u>	<u>3,962</u>	<u>(45,671)</u>	<u>195,347</u>
Other Financing Receipts (Disbursements)					
Transfers In		99,500		20,000	119,500
Transfers Out	(119,500)				(119,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(119,500)</u>	<u>99,500</u>		<u>20,000</u>	
<i>Net Change in Fund Cash Balances</i>	54,619	162,437	3,962	(25,671)	195,347
<i>Fund Cash Balances, January 1</i>	<u>549,162</u>	<u>719,755</u>	<u>23,937</u>	<u>265,904</u>	<u>1,558,758</u>
Fund Cash Balances, December 31					
Restricted		881,343	27,760	5,835	914,938
Assigned	5,216	849	139	234,398	240,602
Unassigned	598,565				598,565
<i>Fund Cash Balances, December 31</i>	<u>\$603,781</u>	<u>\$882,192</u>	<u>\$27,899</u>	<u>\$240,233</u>	<u>\$1,754,105</u>

See accompanying notes to the basic financial statements

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, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$2,556,706		\$2,556,706
Miscellaneous	55,874		55,874
<i>Total Operating Cash Receipts</i>	<u>2,612,580</u>		<u>2,612,580</u>
Operating Cash Disbursements			
Personal Services	477,584		477,584
Employee Fringe Benefits	174,103		174,103
Contractual Services	330,935		330,935
Supplies and Materials	233,514		233,514
Other	584		584
<i>Total Operating Cash Disbursements</i>	<u>1,216,720</u>		<u>1,216,720</u>
<i>Operating Income</i>	<u>1,395,860</u>		<u>1,395,860</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	23		23
Intergovernmental	227,574		227,574
Other Debt Proceeds	175,133		175,133
Capital Outlay	(629,197)		(629,197)
Principal Retirement	(562,438)		(562,438)
Interest and Other Fiscal Charges	(373,717)		(373,717)
Mayor's Court Receipts		\$23,689	23,689
Mayor's Court Disbursements		(\$23,689)	(23,689)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,162,622)</u>		<u>(1,162,622)</u>
<i>Income before Transfers</i>	233,238		233,238
Transfers In	729,310		729,310
Transfers Out	(729,310)		(729,310)
<i>Net Change in Fund Cash Balances</i>	233,238		233,238
<i>Fund Cash Balances, January 1</i>	<u>5,147,046</u>		<u>5,147,046</u>
<i>Fund Cash Balances, December 31</i>	<u>\$5,380,284</u>		<u>\$5,380,284</u>

See accompanying notes to the basic financial statements

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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.

Parks and Recreation Fund The parks and recreation fund accounts for and reports shelter house rentals and general fund transfers to fund construction and maintenance of the park.

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:

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.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 expense in regards to the sanitary sewer project.

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 Village's Mayors 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).

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.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 2017 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.

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.

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 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 law, budgetary expenditures exceeded appropriation authority in the Water Capital Improvement Reserve fund by \$147,163 for the year ended December 31, 2017.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,667,556	\$1,598,211	(\$69,345)
Special Revenue	601,439	583,454	(17,985)
Debt Service	55,947	55,947	
Capital Projects	20,000	20,000	
Enterprise	3,781,986	3,744,620	(37,366)
Total	\$6,126,928	\$6,002,232	(\$124,696)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,752,958	\$1,548,808	\$204,150
Special Revenue	524,981	421,866	103,115
Debt Service	52,065	51,985	80
Capital Projects	65,671	45,671	20,000
Enterprise	3,803,019	3,699,920	103,099
Total	\$6,198,694	\$5,768,250	\$430,444

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:

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	<u>2017</u>
Demand deposits	\$2,511,644
U.S. Treasury Notes	<u>4,622,745</u>
Total deposits and investments	<u><u>\$7,134,389</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Village invested in various U.S. Treasury Notes and these are recorded at cost and held by Charles Schwab and Meeder Investment Management in the Village's name at December 31, 2017.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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. The Village has a contract with City of Cleveland – Central Collection Agency to collect income tax on behalf of the Village.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 –Transfers

During 2017, the Village transferred \$119,500 from the General Fund to the Street Construction, Maintenance and Repair; Parks and Recreation; and Vehicle Equipment Replacement funds in the amounts of \$47,000, \$52,500, and \$20,000, respectively. The Village also transferred a total of \$729,310 from the Water, Wastewater, and Storm Water Utility Operating funds to the First Mortgage Debt Service, Water Equipment Replacement, and Wastewater Equipment Replacement funds in the amounts of \$653,685, \$46,650, and \$28,975, respectively, to pay for debt or reserve funds for future equipment purchases. The transfers are in compliance with the Ohio Revised Code.

Note 8 - Risk Management

Risk Pool Membership

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.

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, 2017, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$31,000.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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>2017 Contributions to PEP</u> \$48,581
--

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.

Note 9 - 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, 2017.

Ohio Police and Fire Retirement System

The Village's 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 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Some of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of North Baltimore, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 - 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$465,000	4.51%
Ohio Water Development Authority Loan - #2834	271,402	2.00%
Ohio Water Development Authority Loan - #3330	35,578	6.39%
Ohio Water Development Authority Loan - #3380	519,281	2.00%
Ohio Water Development Authority Loan - #3921	110,025	2.00%
USDA Loan #1	4,080,000	2.75%
USDA Loan #3	4,765,000	2.75%
USDA Loan #4	3,395,000	2.75%
Ohio Public Works Commission Loan - CE32B	13,082	0.00%
Ohio Public Works Commission Loan - CT25M	25,116	0.00%
Ohio Public Works Commission Loan - CE42P	138,332	0.00%
Ohio Public Works Commission Loan - CE10T	42,326	0.00%
Ohio Public Works Commission Loan - CE36U	132,807	0.00%
Henry County Bank	240,553	3.10%
Total	<u><u>\$14,233,502</u></u>	

The Village has one outstanding general obligation bond issue at December 31, 2017. 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 (OWDA) 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 United States Department of Agriculture (USDA). 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.

The Village has five 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, water line replacement, and to help finance the Sewer Separation Project. There is no amortization schedule available yet for OPWC Loan #CE36U as the project is still on going.

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, 2017

Amortization

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

Year Ending December 31:	General Obligation Bond	OWDA Loans	USDA Loans	OPWC Loans	Henry County Bank
2018	\$61,075	\$309,920	\$547,600	\$17,004	\$51,229
2019	59,295	310,249	549,798	11,806	51,229
2020	57,515	163,003	548,775	9,626	51,229
2021	60,735	155,281	549,615	7,446	51,229
2022	58,733	19,551	549,263	7,446	51,229
2023-2027	291,340	19,551	2,743,975	37,229	5,961
2028-2032			2,746,278	37,229	
2033-2037			2,745,438	37,229	
2038-2042			2,745,468	36,726	
2043-2047			2,744,995	17,115	
2048-2052			2,725,658		
Total	<u>\$588,693</u>	<u>\$977,555</u>	<u>\$19,196,863</u>	<u>\$218,856</u>	<u>\$262,106</u>

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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 13 – Related Party Transactions

A Village Council member and his family are owner of a company from which the Village acquired sanitation services during the year, and has for over the past 40 years. The same company also assists the Village with snow removal from Main Street. The Village paid \$12,900 in 2017 for these services.

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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 45872-1126

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, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated October 31, 2019 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village’s internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 through 2018-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-004.

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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

October 31, 2019

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. The following errors were noted in the accompanying 2018 and 2017 financial statements:

- In 2018 and 2017, errors were noted for beginning fund balances not agreeing to the prior audit report due to funds being rolled up into the wrong fund type. Fund 911 was incorrectly included in the Capital Project Funds instead of the Special Revenue Funds resulting in adjustments ranging from \$22,439 to \$32,121. Funds 541 and 542 were incorrectly included in the Debt Service Funds instead of the Enterprise Funds resulting in adjustments ranging from \$21,653 to \$776,661.
- In 2018 and 2017, errors were noted in the rollup of revenues in the annual report in the Special Revenue and Debt Service Funds resulting in adjustments ranging from \$5,305 to \$35,667.
- In 2018 and 2017, errors were noted in the rollup of expenditures into the annual report in the General and Special Revenue Funds resulting in adjustments ranging from \$1,619 to \$462,007.
- In 2018 and 2017, Mayor’s Court activity was not included as an Agency Fund in the annual report, resulting in adjustments ranging from \$19,034 to \$23,689.
- In 2018, principal and interest payments for the USDA and OWDA loans were not posted to the Village accounting system in the Enterprise Funds in the amounts of \$356,201 and \$346,319, respectively.
- In 2018 and 2017, OPWC on behalf of grant and loan activity was not posted to the accounting system in the Enterprise Funds in amounts ranging from \$7,030 to \$132,807. In addition, OPWC other debt proceeds in the amount of \$42,326 were incorrectly posted as intergovernmental receipts in 2017 in the Enterprise Funds.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to Council making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors. Additional errors were identified in smaller relative amounts for additional reasons.

To help ensure the Village’s financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook and Uniform Accounting Network (UAN) Manual for guidance.

Officials’ Response:

Per Fiscal Officer, the errors noted in this finding have been corrected going forward. The Fiscal Officer believes these errors were primarily the result of an unqualified Fiscal Officer who served from June 25, 2018 through December 6, 2018. Procedures have been adopted that will prevent these types of errors in the future.

FINDING NUMBER 2018-002

Material Weakness – Monitoring of Financial Reports

Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation.)

Due to the size of the Village, segregating every function may not be financially feasible; however, careful consideration of which functions need to be separated should be completed. The Village Council should review their procedures and where possible take steps to include involvement of employees from another department handling one of the functions, levels of approval and review of the record keeping, authorization, custody, and reconciliation of accounts. Where segregation of duties is not possible, compensating controls such as monitoring of detailed reports by Council should be put in place.

The Village Fiscal Officer is responsible for processing and entering most of the Village transactions. The Council's review of reports showing support for the information entered is necessary to detect errors or irregularities, provide an effective checks and balance system, sufficiently monitor Village finances, and effectively safeguard the public's interests.

Council does review a fund status report, check listing, and a financial narrative prepared by the Fiscal Officer on a monthly basis. However, these reports alone are not sufficient to effectively monitor the activity of the Village. Insufficient monitoring could result in errors and irregularities or fraud occurring and not being timely detected.

Council should implement additional segregation of duties or additional monitoring controls and take a more active role in monitoring the financial activity of the Village, including review of the following additional reports:

- Budget vs Actual Reports for both revenues and expenditures broken down by account,
- Detailed list of revenues and expenditures for the month,
- Reconciliations between the general ledger and subsidiary ledgers, and;
- Detailed revenue reports from the utility and income tax departments.

Council's review and approval of these reports should be noted in the minutes.

Officials' Response:

The segregation of duties will be assessed and changes made where financially feasible. In addition, the suggested changes to the monthly financial reports will be implemented for this fiscal year.

FINDING NUMBER 2018-003

Material Weakness – Cash Reconciliation Process Errors

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2018 for all accounts. In addition, monthly bank to book reconciliations were not prepared or reviewed each month of 2017 for the Mayor's Court account. However, the current Fiscal Officer did prepare December 2018 reconciliations during the audit. Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

The Fiscal Officer does now perform Bank to Book Reconciliations and will continue to do so and it will be part of the Monthly Financial Report provided to Council.

FINDING NUMBER 2018-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

Due to deficiencies in monitoring budgetary compliance, budgetary expenditures exceeded appropriations for the year ended December 31, 2018 as follows:

Fund #	Fund Name	Appropriation Authority	Total Expenditures	Variance
204	Parks & Recreation	\$52,040	\$87,387	(\$35,347)

Due to deficiencies in monitoring budgetary compliance, budgetary expenditures exceeded appropriations for the year ended December 31, 2017 as follows:

Fund #	Fund Name	Appropriation Authority	Total Expenditures	Variance
573	Water Capital Improvement Reserve	\$305,805	\$452,968	(\$147,163)

We also noted instances of budgetary expenditures exceeding appropriations in other funds in lesser amounts.

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and result in deficit spending.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

The Fiscal Officer has made changes in procedures to ensure appropriations are handled properly in the future. It should be noted that while expenditures exceeded appropriations, there was adequate revenues/fund balance to cover the expenditures.

Village of North Baltimore

205 North Main Street, North Baltimore OH 45872 Phone (419)257-2394 Fax (419)257-2457

"Small Town, Big Opportunities"



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Council

Janet L Goldner
Mayor

Art Patterson
President of Council

Matt Beegle
Council Member

Tim Engard
Council Member

Aaron Patterson
Council Member

Leisa Zeigler
Council Member

Ty Carles
Council Member

*Kathi Bucher
Clerk*

Administration

Michael Brillhart
Administrator

Tony Swartz
Finance Officer

Brian Roberts,
Superintendent of Water & Sewer

Doug Wickard
Public Works Superintendent

THE VILLAGE OF
NORTH
BALTIMORE IS AN
EQUAL
OPPORTUNITY
PROVIDER AND
EMPLOYER

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material weakness over financial reporting due to material audit adjustments. Finding first reported in fiscal year 2014.	Not corrected and repeated as finding 2018-001 in this report.	Due to turnover of Fiscal Officer position during audit period, these errors were not corrected. Current Fiscal Officer will review the errors and make corrections in the future.
2016-002	Noncompliance with USDA Bulletin 1780-30 for not meeting reporting requirements. Finding first reported in fiscal year 2014.	Fully corrected.	

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OHIO AUDITOR OF STATE KEITH FABER



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
NOVEMBER 19, 2019**