



**VILLAGE OF BALTIC
TUSCARAWAS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2019-2018**

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KEITH FABER



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Village Council
Village of Baltic
102 West Main Street
Baltic, Ohio 43804

We have reviewed the *Independent Auditor's Report* of the Village of Baltic, Tuscarawas County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. 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 Baltic is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 14, 2020

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VILLAGE OF BALTIC
TUSCARAWAS COUNTY

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INDEPENDENT AUDITOR'S REPORT

October 30, 2020

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Baltic**, Tuscarawas County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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.

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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, 2019 and 2018, 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 Baltic, Tuscarawas County as of December 31, 2019 and 2018, and 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 43,376	\$ 13,705	\$ -	\$ 20,946	\$ -	\$ 78,027
Municipal Income Tax	129,981	214,209	38,991	-	-	383,181
Intergovernmental	18,487	280,279	-	1,570	-	300,336
Charges for Services	11,649	177,927	-	-	-	189,576
Fines, Licenses and Permits	825	-	-	-	-	825
Earnings on Investments	3,286	5,613	-	-	-	8,899
Miscellaneous	5,185	9,408	-	-	-	14,593
<i>Total Cash Receipts</i>	<u>212,789</u>	<u>701,141</u>	<u>38,991</u>	<u>22,516</u>	<u>-</u>	<u>975,437</u>
Cash Disbursements						
Current:						
Security of Persons and Property	15,182	166,603	-	-	-	181,785
Public Health Services	1,011	10,045	-	-	-	11,056
Leisure Time Activities	12,968	-	-	-	-	12,968
Community Environment	2,077	-	-	-	-	2,077
Basic Utility Services	2,542	-	-	-	-	2,542
Transportation	2,731	301,335	-	-	-	304,066
General Government	105,209	-	-	-	-	105,209
Capital Outlay	32,032	3,950	-	-	-	35,982
Debt Service:						
Principal Retirement	-	32,067	12,224	-	-	44,291
Interest and Fiscal Charges	-	320	6,341	-	-	6,661
<i>Total Cash Disbursements</i>	<u>173,752</u>	<u>514,320</u>	<u>18,565</u>	<u>-</u>	<u>-</u>	<u>706,637</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>39,037</u>	<u>186,821</u>	<u>20,426</u>	<u>22,516</u>	<u>-</u>	<u>268,800</u>
Other Financing Receipts (Disbursements)						
Sale of Capital Assets	38	-	-	-	-	38
Transfers Out	-	(10,388)	-	-	-	(10,388)
Other Financing Sources	5,647	5,012	-	-	-	10,659
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,685</u>	<u>(5,376)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309</u>
<i>Net Change in Fund Cash Balances</i>	44,722	181,445	20,426	22,516	-	269,109
<i>Fund Cash Balances, January 1</i>	<u>171,046</u>	<u>410,765</u>	<u>(2,716)</u>	<u>207,906</u>	<u>31,458</u>	<u>818,459</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	31,458	31,458
Restricted	-	614,746	17,710	230,422	-	862,878
Assigned	149,790	-	-	-	-	149,790
Unassigned (Deficit)	65,978	(22,536)	-	-	-	43,442
<i>Fund Cash Balances, December 31</i>	<u>\$ 215,768</u>	<u>\$ 592,210</u>	<u>\$ 17,710</u>	<u>\$ 230,422</u>	<u>\$ 31,458</u>	<u>\$ 1,087,568</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 370,114
Miscellaneous	38,277
	408,391
<i>Total Operating Cash Receipts</i>	<i>408,391</i>
Operating Cash Disbursements	
Personal Services	119,337
Transportation	648
Contractual Services	39,060
Supplies and Materials	102,536
	261,581
<i>Total Operating Cash Disbursements</i>	<i>261,581</i>
<i>Operating Income (Loss)</i>	<i>146,810</i>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(8,195)
Principal Retirement	(50,181)
Interest and Other Fiscal Charges	(11,151)
	(69,527)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(69,527)</i>
<i>Income (Loss) before Transfers</i>	<i>77,283</i>
Transfers In	10,388
	87,671
<i>Net Change in Fund Cash Balances</i>	<i>87,671</i>
<i>Fund Cash Balances, January 1</i>	<i>169,046</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 256,717</i>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 – Reporting Entity

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

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

FEMA Fire Fund This fund receives federal grant monies to fund the purchase of fire equipment for the Village.

Cemetery/Street Fund This fund receives a portion of income tax revenue to cover cemetery and street operations.

Debt Service Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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:

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

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

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

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

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

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

Debt Retirement Fund This fund receives transfers in order to satisfy debt payment requirements.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund 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.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2019 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 and common stock at fair value when donated. STAR Ohio is recorded at share values of the mutual funds report.

The Village values U.S. Treasury Notes and common stock at cost (or fair value when donated). Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 Street, Grants, Ambulance/EMS, OPWC WW and Storm Sewer Funds for the year ended December 31, 2019.

Contrary to Ohio law, appropriation authority exceeded resources available for appropriations in the Park, Shade Tree, Cemetery, Water Filtration and Storm Sewer Funds for the year ended December 31, 2019.

Contrary to Ohio law, at December 31, 2019, the Permissive Tax Fund had a cash deficit balance.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 126,610	\$ 218,474	\$ 91,864
Special Revenue	499,145	706,153	207,008
Debt Service	29,534	38,991	9,457
Capital Projects	44,238	22,516	(21,722)
Enterprise	376,940	418,779	41,839
Total	\$ 1,076,467	\$ 1,404,913	\$ 328,446

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 4 – Budgetary Activity (Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 218,334	\$ 173,848	\$ 44,486
Special Revenue	701,273	524,716	176,557
Debt Service	26,819	20,426	6,393
Capital Projects	291,491	-	291,491
Permanent	31,458	-	31,458
Enterprise	464,060	356,952	107,108
Total	\$ 1,733,435	\$ 1,075,942	\$ 657,493

Note 5 – Deposits

The Village maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2019 was as follows:

Demand deposits	\$ 1,155,973
Certificates of Deposit	96,777
Total deposits	1,252,750
Star Ohio	85,890
Common Stock (at cost, fair value was \$52,878 at December 31, 2019)	5,645
Total investments	91,535
Total deposits and investments	\$ 1,344,285

Deposits

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

Investments

The Village's common stock is with Kroger Corporation and valued at the value at the time of the donation.

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

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.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 6 – Taxes (Continued)

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 7 – Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

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

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees 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, 2019.

Social Security

Some Village 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, 2019.

Note 9 - Postemployment Benefits

OPERS offers 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA	\$ 609,567	2%
OPWC	260,524	0%
Baltic State Bank - Wastewater Plant	164,161	3%
Total	<u>\$1,034,252</u>	

The bank loan on the 2006 International Fire Truck was issued on March 18, 2015 for \$145,000. It has an interest rate of 2% and will mature on March 25, 2020. The Village paid off this loan early in 2019.

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

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 10 – Debt (Continued)

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

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	OPWC	OWDA Loan	Wastewater Plant
2020	\$ 22,835	\$ 37,128	\$ 34,200
2021	22,835	37,128	34,200
2022	22,835	37,128	34,200
2023	22,835	37,128	34,200
2024	22,835	37,128	34,200
2025-2029	109,674	185,640	11,400
2030-2034	36,675	185,640	-
2035-2039	-	185,640	-
2040-2044	-	18,564	-
Total	<u>\$ 260,524</u>	<u>\$ 761,124</u>	<u>\$ 182,400</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 – Transfers

During 2019, the following transfers were made:

	Transfers In	Transfers Out
Grants	\$ -	\$ (10,388)
Water	1,488	-
Sewer	8,900	-
Total	<u>\$ 10,388</u>	<u>\$ (10,388)</u>

These transfers were deemed allowable and in compliance with the Ohio Revised Code.

Note 13 – Health Insurance

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 44,524	\$ 14,602	\$ -	\$ 22,569	\$ -	\$ 81,695
Municipal Income Tax	118,120	206,244	24,298	-	-	348,662
Intergovernmental	17,994	101,317	-	1,519	-	120,830
Charges for Services	11,745	82,808	-	-	-	94,553
Fines, Licenses and Permits	515	-	-	-	-	515
Earnings on Investments	1,156	2,331	-	-	-	3,487
Miscellaneous	4,875	29,513	-	-	-	34,388
<i>Total Cash Receipts</i>	<u>198,929</u>	<u>436,815</u>	<u>24,298</u>	<u>24,088</u>	<u>-</u>	<u>684,130</u>
Cash Disbursements						
Current:						
Security of Persons and Property	33,663	89,069	-	-	-	122,732
Public Health Services	841	9,216	-	-	-	10,057
Leisure Time Activities	12,358	75	-	-	-	12,433
Community Environment	2,982	-	-	-	-	2,982
Basic Utility Services	4,281	-	-	-	-	4,281
Transportation	2,142	133,912	-	-	-	136,054
General Government	118,354	-	-	-	-	118,354
Capital Outlay	30,939	74,221	-	238	-	105,398
Debt Service:						
Principal Retirement	-	54,458	11,983	-	-	66,441
Interest and Fiscal Charges	-	1,595	6,582	-	-	8,177
<i>Total Cash Disbursements</i>	<u>205,560</u>	<u>362,546</u>	<u>18,565</u>	<u>238</u>	<u>-</u>	<u>586,909</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,631)</u>	<u>74,269</u>	<u>5,733</u>	<u>23,850</u>	<u>-</u>	<u>97,221</u>
Other Financing Receipts (Disbursements)						
Sale of Capital Assets	69	-	-	-	-	69
Transfers In	-	31,114	-	-	-	31,114
Transfers Out	-	(31,114)	-	-	-	(31,114)
Other Financing Sources	5,717	7,527	-	-	-	13,244
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,786</u>	<u>7,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,313</u>
<i>Net Change in Fund Cash Balances</i>	<u>(845)</u>	<u>81,796</u>	<u>5,733</u>	<u>23,850</u>	<u>-</u>	<u>110,534</u>
<i>Fund Cash Balances, January 1</i>	<u>171,891</u>	<u>328,969</u>	<u>(8,449)</u>	<u>184,056</u>	<u>31,458</u>	<u>707,925</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	31,458	31,458
Restricted	-	435,188	-	207,906	-	643,094
Assigned	91,724	-	-	-	-	91,724
Unassigned (Deficit)	79,322	(24,423)	(2,716)	-	-	52,183
<i>Fund Cash Balances, December 31</i>	<u>\$ 171,046</u>	<u>\$ 410,765</u>	<u>\$ (2,716)</u>	<u>\$ 207,906</u>	<u>\$ 31,458</u>	<u>\$ 818,459</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 384,160
Miscellaneous	6,707
	<u>390,867</u>
<i>Total Operating Cash Receipts</i>	<u>390,867</u>
Operating Cash Disbursements	
Personal Services	121,508
Transportation	839
Contractual Services	145,539
Supplies and Materials	42,656
	<u>310,542</u>
<i>Total Operating Cash Disbursements</i>	<u>310,542</u>
<i>Operating Income (Loss)</i>	<u>80,325</u>
Non-Operating Receipts (Disbursements)	
Earnings on Investments (proprietary funds only)	8
Capital Outlay	(11,107)
Principal Retirement	(62,927)
Interest and Other Fiscal Charges	(12,672)
	<u>(86,698)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(86,698)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(6,373)</u>
<i>Fund Cash Balances, January 1</i>	<u>175,419</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 169,046</u></u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

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

The Village participates in jointly governed organizations and the Ohio Plan Risk Management, Inc., a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

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

Jointly Governed Organizations:

Swiss Valley Joint Ambulance District (The District)

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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 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 Maintenance Fund This 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.

FEMA Fire Fund This fund receives federal grant monies to fund the purchase of fire equipment for the Village.

Cemetery/Street Fund This fund receives a portion of income tax revenue to cover cemetery and street operations.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Debt Service Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

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:

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

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

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

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

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

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

Debt Retirement Fund This fund receives transfers in order to satisfy debt payment requirements.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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. The Village did not encumber all commitments required by Ohio law.

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 and common stock at fair value when donated. STAR Ohio is recorded at share values of the mutual funds report.

The Village values U.S. Treasury Notes and common stock at cost (or fair value when donated). Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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 Grants, Fire, Ambulance/EMS, Cemetery, Debt Retirement, Water, Sewer, Storm Sewer and OPWC WW Funds for the year ended December 31, 2018.

Contrary to Ohio law, appropriation authority exceeded resources available for appropriations in the General, Permissive Tax and Water Filtration Funds for the year ended December 31, 2018.

Contrary to Ohio law, at December 31, 2018, the Permissive Tax, Debt Water/Sewer and Storm Sewer Funds had a cash deficit balance.

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	\$ 175,000	\$ 204,715	\$ 29,715
Special Revenue	473,184	475,456	2,272
Debt Service	27,980	24,298	(3,682)
Capital Projects	24,135	24,088	(47)
Enterprise	363,525	390,875	27,350
Total	\$ 1,063,824	\$ 1,119,432	\$ 55,608

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 4 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 350,500	\$ 206,297	\$ 144,203
Special Revenue	583,971	465,873	118,098
Debt Service	19,000	18,565	435
Capital Projects	189,346	238	189,108
Permanent	31,458	-	31,458
Enterprise	343,118	398,295	(55,177)
Total	\$ 1,517,393	\$ 1,089,268	\$ 428,125

Note 5 – Deposits

The Village maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2018 was as follows:

Demand deposits	\$ 897,937
Total deposits	897,937
Star Ohio	83,923
Common Stock (at cost, fair value was \$50,160 at December 31, 2018)	5,645
Total investments	89,568
Total deposits and investments	\$ 987,505

Deposits

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

Investments

The Village's common stock is with Kroger Corporation and valued at the value at the time of the donation.

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

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.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 6 – Taxes (Continued)

Income Taxes

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 7 – Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees 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.

Social Security

Some Village 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

OPERS offers 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.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Baltic State Bank - Fire Truck	\$ 32,067	2%
OWDA	634,136	2%
OPWC	271,941	0%
Baltic State Bank - Wastewater Plant	190,580	3%
Total	\$1,128,724	

The bank loan for the backhoe was issued on May 1, 2012 for \$46,000. It has an interest rate of 4.5% and will mature on May 5, 2022. The Village paid off this loan early in 2018.

The bank loan on the 2006 International Fire Truck was issued on March 18, 2015 for \$145,000. It has an interest rate of 2% and will mature on March 25, 2020.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 10 – Debt (Continued)

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

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

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	OPWC	OWDA Loan	Fire Truck	Wastewater Plant
2019	\$ 11,417	\$ 37,128	\$ 32,400	\$ 34,200
2020	22,835	37,128	8,100	34,200
2021	22,835	37,128	-	34,200
2022	22,835	37,128	-	34,200
2023	22,835	37,128	-	34,200
2024-2028	111,175	185,640	-	45,600
2029-2033	54,174	185,640	-	-
2034-2038	3,835	185,640	-	-
2039-2043	-	55,692	-	-
Total	<u>\$ 271,941</u>	<u>\$ 798,252</u>	<u>\$ 40,500</u>	<u>\$ 216,600</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 – Jointly Governed Organizations

Swiss Valley Joint Ambulance District (the District)

The District provides emergency medical services for the Village. The District is directed by an appointed three member board of Trustees. One Board Member is appointed by each political subdivision within the District. Those subdivisions are the Village of Baltic, Clark Township, and Bucks Township. The District provides emergency medical services to citizens within those areas. During 2018, the Village paid \$12,720 in total to the District.

Note 13 – Health Insurance

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

Note 15 – Transfers

During 2018, the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
FEMA-Fire	\$ -	\$ (31,114)
Fire	31,114	-
Total	<u>\$ 31,114</u>	<u>\$ (31,114)</u>

These transfers were deemed allowable and in compliance with the Ohio Revised Code.

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

October 30, 2020

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Baltic**, Tuscarawas County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated October 30, 2020, 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 and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Internal Control Over Financial Reporting (Continued)

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 audit findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2019-002 through 2019-004.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

The Village should have procedures and controls in place to prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2019 and 2018, receipts, disbursements, and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Outstanding encumbrances and budget carryover amounts were misclassified as Unassigned instead of Assigned in the General Fund in 2019 and 2018;
- Fund balances for the State Highway, Permissive Tax Funds, and Debt Water/Sewer Funds were misclassified as Unassigned instead of Restricted in 2019 and 2018;
- Fund balance for the Fire Truck Reserve Fund was misclassified as Committed instead of Restricted in 2019 and 2018;
- Fund balances for the Water Filtration and Capital Heliport Funds were misclassified as Assigned instead of Restricted in 2019 and 2018;
- Debt payments for the Fire Truck loan were misclassified as Other Financing Uses instead of Principal Retirement and Interest and Other Fiscal Charges in the Fire Fund in 2019 and 2018;
- Debt payments for the Backhoe loan were misclassified as Public Health Services instead of Principal Retirement and Interest and Other Fiscal Charges in the Street and Cemetery Funds in 2018;
- Debt payments to OWDA were classified entirely as Principal Retirement and did not properly break down the portion that should have been classified as Interest and Other Fiscal Charges in the Debt Water/Sewer Fund in 2019 and 2018;
- Debt payments to OPWC were misclassified as Contractual Services in the Storm Sewer Fund in 2018;
- Debt payments for the Wastewater Treatment plant loan were classified entirely as Interest and Other Fiscal Charges and did not properly break down the portion that should have been classified as Principal Retirement in the Debt Retirement Fund in 2019 and 2018;
- Rollback receipts were not properly allocated to the Fire, Police, Ambulance/EMS, and Fire Truck Reserve Funds in 2019 and 2018;
- Real estate tax receipts for the Fire Truck Reserve Fund were misclassified as Sale of Notes instead of Property and Other Local Taxes and incorrectly posted to the Fire Fund in 2018;
- Gasoline excise and permissive tax receipts were incorrectly allocated and posted among the Street, State Highway and Permissive Tax Funds in 2019 and 2018;
- Grant and reimbursement receipts were misclassified as Other Financing Sources instead of Intergovernmental and Miscellaneous in the Fire Fund in 2019;
- A Transfer was incorrectly classified as an Advance in 2018; and
- The Debt Retirement Fund activity was incorrectly recorded as a Governmental Fund instead of an Enterprise Fund in 2019 and 2018.

Not posting receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The Village has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-001 (Continued)

Financial Reporting (Continued)

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – Officials did not provide a response to this finding.

FINDING NUMBER 2019-002

Material Weakness/Noncompliance

Recording of Receipts in Correct Funds

Ohio Rev. Code § 5735.28 requires that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to §§ 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to § 5531.09 of the Revised Code for such purposes.

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

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

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-002 (Continued)

Recording of Receipts in Correct Funds (Continued)

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

- The Street Maintenance Fund and State Highway Fund under reported activity by \$55,290 and \$4,482, respectively. The Permissive Tax Fund over reported activity by \$59,772.

Inaccurate reporting of revenue could lead to gasoline excise taxes and state and local government highway distribution monies being utilized for unallowable disbursements that do not correspond with the legally required intent as defined in State statutes. Additionally, sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. These adjustments were agreed to by management. The accounting system has been adjusted accordingly.

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

Management's Response – Officials did not provide a response to this finding.

FINDING NUMBER 2019-003

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Revised Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit, we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- **Violations of 5705.39** indicating appropriations cannot exceed estimated resources;
- **Violations of 5705.41(B)** stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations); and
- **Violations of 5705.41(D)** relating to expenditures having prior certification of availability of funds.

Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure that budgetary forms are properly completed and submitted to the County Budget Commission timely.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-003 (Continued)

Budgetary Controls (Continued)

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. If Council does not consider these necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Village Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Board and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in varying amounts posted to the accounting system and information available to the Village Officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

We recommend the Village implement procedures to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Management's Response – Officials did not provide a response to this finding.

FINDING NUMBER 2019-004

Noncompliance

Negative Fund Balances

Ohio Rev. Code § 5705.10(I) requires that monies paid into any fund be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds incurred negative fund balances throughout 2018 and 2019:

- Debt Water/Sewer, Storm Sewer, Permissive Tax

As a result, monies from other funds were used to cover the obligations incurred by these funds, which may not be allowable based upon each fund's restriction or purpose.

The Village should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds. This will help reduce the risk of negative fund balances and overspending of each respective fund's resources.

Management's Response – Officials did not provide a response to this finding.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Revised Code Section 5705.10(C)	Partially Corrected	Homestead and rollback receipts not corrected. Included in Finding 2019-001.
2017-002	Ohio Revised Code Section 5705.10(I)	Not Corrected	Repeated as Finding 2019-004
2017-003	Ohio Revised Code Section 5705.38(A)	Corrected	N/A
2017-004	Ohio Revised Code Section 5705.41(B)	Not Corrected	Repeated as Finding 2019-003
2017-005	Ohio Revised Code Section 5735.28 and 4504.172	Not Corrected	Repeated as Finding 2019-002
2017-006	Appropriations being approved	Corrected	N/A
2017-007	Financial reporting	Not Corrected	Repeated as Finding 2019-001
2017-008	Utility deposits	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF BALTIC

TUSCARAWAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/29/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov