



Dave Yost • Auditor of State

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Baltic, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Baltic, Tuscarawas County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Baltic adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

As described in Note 3, an omission of common stock that had been bequeathed to the Village in 2007 had not been previously reported by the Village. To account for this stock, the January 1, 2011 fund balance for the Permanent Fund was restated.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

May 17, 2013

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$32,969	\$13,573		\$21,678		\$68,220
Municipal Income Tax	49,994	100,000	\$16,673			166,667
Intergovernmental	24,390	46,987		41,002		112,379
Charges for Services		78,364	27,012			105,376
Rent	7,861					7,861
Fines, Licenses and Permits	296					296
Earnings on Investments	462	318				780
Contributions and Donations		2,202				2,202
Miscellaneous	4,922	755				5,677
<i>Total Cash Receipts</i>	<u>120,894</u>	<u>242,199</u>	<u>43,685</u>	<u>62,680</u>	<u>0</u>	<u>469,458</u>
Cash Disbursements						
Current:						
Security of Persons and Property	27,607	104,072				131,679
Public Health Services	1,914	17,103				19,017
Leisure Time Activities	6,250					6,250
Community Environment	185					185
Transportation	1,470	93,262				94,732
General Government	98,072					98,072
Capital Outlay	10,934	16,507		62,085		89,526
Debt Service:						
Principal Retirement		1,208	34,838	66,352		102,398
Interest and Fiscal Charges		716	16,073	1,653		18,442
<i>Total Cash Disbursements</i>	<u>146,432</u>	<u>232,868</u>	<u>50,911</u>	<u>130,090</u>	<u>0</u>	<u>560,301</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(25,538)</u>	<u>9,331</u>	<u>(7,226)</u>	<u>(67,410)</u>	<u>0</u>	<u>(90,843)</u>
Other Financing Receipts (Disbursements)						
Sale of Notes				46,000		46,000
Sale of Capital Assets	66,229					66,229
Proceeds from Insurance	12,524					12,524
Other Financing Sources	2,085	4,564				6,649
Other Financing Uses		(557)				(557)
<i>Total Other Financing Receipts</i>	<u>80,838</u>	<u>4,007</u>	<u>0</u>	<u>46,000</u>	<u>0</u>	<u>130,845</u>
<i>Net Change in Fund Cash Balances</i>	<u>55,300</u>	<u>13,338</u>	<u>(7,226)</u>	<u>(21,410)</u>	<u>0</u>	<u>40,002</u>
<i>Fund Cash Balances, January 1</i>	<u>52,440</u>	<u>262,099</u>	<u>5,147</u>	<u>127,580</u>	<u>29,936</u>	<u>477,202</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	29,936	29,936
Restricted	0	275,437	0	106,170	0	381,607
Committed	8,186	0	2,955	0	0	11,141
Assigned	99,554	0	0	0	0	99,554
Unassigned (Deficit)	0	0	(5,034)	0	0	(5,034)
<i>Fund Cash Balances, December 31</i>	<u>\$107,740</u>	<u>\$275,437</u>	<u>(\$2,079)</u>	<u>\$106,170</u>	<u>\$29,936</u>	<u>\$517,204</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$274,321
Miscellaneous	6,933
	<u>281,254</u>
<i>Total Operating Cash Receipts</i>	<u>281,254</u>
Operating Cash Disbursements	
Personal Services	109,635
Contractual Services	115,249
Supplies and Materials	26,328
Transportation	1,503
	<u>252,715</u>
<i>Total Operating Cash Disbursements</i>	<u>252,715</u>
<i>Operating Income</i>	<u>28,539</u>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	1
Capital Outlay	(39,469)
Principal Retirement	(46,760)
Interest and Other Fiscal Charges	(15,325)
Other Financing Uses	(5,000)
	<u>(106,553)</u>
<i>Total Non-Operating (Disbursements)</i>	<u>(106,553)</u>
<i>Net Change in Fund Cash Balances</i>	(78,014)
<i>Fund Cash Balances, January 1</i>	<u>300,869</u>
<i>Fund Cash Balances, December 31</i>	<u>\$222,855</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$33,011	\$15,725		\$20,725		\$69,461
Municipal Income Tax	60,046	108,997	\$12,619			181,662
Intergovernmental	37,612	73,262		27,783		138,657
Charges for Services		67,127	26,800			93,927
Rent	7,420					7,420
Fines, Licenses and Permits	340					340
Earnings on Investments	974	402				1,376
Contributions and Donations		4,945				4,945
Miscellaneous	4,371	608				4,979
<i>Total Cash Receipts</i>	<u>143,774</u>	<u>271,066</u>	<u>39,419</u>	<u>48,508</u>	<u>0</u>	<u>502,767</u>
Cash Disbursements						
Current:						
Security of Persons and Property	26,941	105,989				132,930
Public Health Services	1,672	8,686				10,358
Leisure Time Activities	7,103	3,291				10,394
Community Environment	815					815
Transportation		82,159				82,159
General Government	128,566					128,566
Capital Outlay	1,610	49,652		68,257		119,519
Debt Service:						
Principal Retirement			24,792	54,084		78,876
Interest and Fiscal Charges			13,922	4,123		18,045
<i>Total Cash Disbursements</i>	<u>166,707</u>	<u>249,777</u>	<u>38,714</u>	<u>126,464</u>	<u>0</u>	<u>581,662</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,933)</u>	<u>21,289</u>	<u>705</u>	<u>(77,956)</u>	<u>0</u>	<u>(78,895)</u>
Other Financing Receipts						
Proceeds from Insurance	18,279					18,279
Other Financing Sources	2,445	3,104				5,549
<i>Total Other Financing Receipts</i>	<u>20,724</u>	<u>3,104</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,828</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,209)</u>	<u>24,393</u>	<u>705</u>	<u>(77,956)</u>	<u>0</u>	<u>(55,067)</u>
<i>Fund Cash Balances, January 1 - Restated, Notes 2, 3</i>	<u>54,649</u>	<u>237,706</u>	<u>4,442</u>	<u>205,536</u>	<u>29,936</u>	<u>532,269</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	29,936	29,936
Restricted	0	262,099	0	127,580	0	389,679
Committed	1,690	0	5,147	0	0	6,837
Assigned	50,750	0	0	0	0	50,750
<i>Fund Cash Balances, December 31</i>	<u>\$52,440</u>	<u>\$262,099</u>	<u>\$5,147</u>	<u>\$127,580</u>	<u>\$29,936</u>	<u>\$477,202</u>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$264,142
Miscellaneous	2,917
	267,059
<i>Total Operating Cash Receipts</i>	<i>267,059</i>
Operating Cash Disbursements	
Personal Services	111,415
Contractual Services	94,341
Supplies and Materials	20,633
Transportation	1,231
	227,620
<i>Total Operating Cash Disbursements</i>	<i>227,620</i>
<i>Operating Income</i>	<i>39,439</i>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	1
Sale of Notes	180,256
Capital Outlay	(62,862)
Principal Retirement	(87,466)
Interest and Other Fiscal Charges	(112)
	29,817
<i>Total Non-Operating Receipts</i>	<i>29,817</i>
<i>Net Change in Fund Cash Balances</i>	<i>69,256</i>
<i>Fund Cash Balances, January 1</i>	<i>231,613</i>
<i>Fund Cash Balances, December 31</i>	<i>\$300,869</i>

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Baltic, Tuscarawas County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, road maintenance, 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 one jointly governed organizations and the Ohio Plan Risk Management, Inc public entity risk pool. Notes 10 and 11 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Swiss Valley Joint Ambulance District (The District)

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

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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

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

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

3. Debt Service Funds

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

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

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

4. Capital Project Funds

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

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. Permanent Funds

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

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

6. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2012 and 2011 budgetary activity appears in Note 5.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

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

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	\$49,765	\$4,884	\$54,649
Special Revenue	\$242,590	(\$4,884)	\$237,706

3. Restatement of Fund Balance

During fiscal year 2007, the Village was bequeathed common stock to be used for cemeteries in the Village. At the time of receipt, the value of the common stock was \$5,645. However, it has not been reported by the Village. The beginning balance of the permanent cemetery bequest fund was restated at January 1, 2011 as shown below:

January 1, 2011 Permanent Fund Balance as Reported	\$24,291
Adjustment	
Fair Value of Common Stock at Date of Receipt	5,645
Restated January 1, 2011 Permanent Fund Balance	<u>\$29,936</u>

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$648,384	\$686,462
Total deposits	648,384	686,462
STAR Ohio	86,030	85,964
Common stock (recorded at fair market value at time of donation, fair value was \$5,334 and \$4,965 at December 31, 2012 and 2011, respectively.)	5,645	5,645
Total investments	91,675	91,609
Total deposits and investments	\$740,059	\$778,071

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

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

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

5. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,893	\$201,732	\$123,839
Special Revenue	181,519	246,763	65,244
Debt Service	50,648	43,685	(6,963)
Capital Projects	88,500	108,680	20,180
Enterprise	242,096	281,255	39,159
Permanent	0	0	0
Total	\$640,656	\$882,115	\$241,459

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$145,858	\$159,037	(\$13,179)
Special Revenue	370,761	242,599	128,162
Debt Service	55,251	50,911	4,340
Capital Projects	150,332	130,090	20,242
Enterprise	552,889	359,522	193,367
Permanent	4,290	0	4,290
Total	<u>\$1,279,381</u>	<u>\$942,159</u>	<u>\$337,222</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,292	\$164,498	\$21,206
Special Revenue	228,793	274,170	45,377
Debt Service	35,000	39,419	4,419
Capital Projects	78,890	48,508	(30,382)
Enterprise	390,493	447,316	56,823
Permanent	0	0	0
Total	<u>\$876,468</u>	<u>\$973,911</u>	<u>\$97,443</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$179,807	\$177,683	\$2,124
Special Revenue	462,813	250,862	211,951
Debt Service	39,422	38,714	708
Capital Projects	249,336	126,464	122,872
Enterprise	526,172	407,460	118,712
Permanent	4,291	0	4,291
Total	<u>\$1,461,841</u>	<u>\$1,001,183</u>	<u>\$460,658</u>

Contrary to Ohio Revised Code Section 5705.41(D), certain expenditures were not properly certified by the Fiscal Officer.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

7. Local Income Tax

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

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

8. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Baltic State Bank - Bank Loan for Backhoe	\$44,188	4.5%
Baltic State Bank - Bank Loan for Sewer Plant	139,142	4%
Baltic State Bank - Bonds	188,441	5%
Ohio Public Works Commission Loans	326,500	0%
Ohio Water Development Authority Loan	770,681	2%
Total	<u>\$1,468,952</u>	

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

The Village obtained a \$165,000 bank loan in 2011. \$69,067 of this loan was used to pay the remaining balance on a prior bank loan. The remaining proceeds were received by the Village. The loan matures in October 2013.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Debt (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project. The OWDA loaned the Village \$834,578 for this project. The Village will repay the loans in semiannual installments until 2040. The amortization schedule has not been completed and the OWDA invoices the Village semi-annually. As the amortization has not been completed it will not be included in the table below. During 2012, the OWDA adjusted the loan balance to forgive \$1,236 of the total loan amount. 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. They are 0% interest loans. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization of the above debt, including interest, is scheduled as follows (note: the amortization of the OWDA debt is not complete and not included below. The bank loan for the sewer plant is due in 2013 and is not presented below):

Year ending December 31:	Baltic State		OPWC Loans
	Bank - Back Hoe Loan	Baltic State Bank - Bonds	
2013	\$5,763	\$20,061	\$8,750
2014	5,763	20,060	19,000
2015	5,763	20,061	19,000
2016	5,763	20,060	19,000
2017	5,763	20,060	19,000
2018-2022	25,968	100,304	95,000
2023-2027		60,182	94,250
2028-2030			52,500
Total	\$54,783	\$260,788	\$326,500

9. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Risk Management

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	2011	2010
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</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
DECEMBER 31, 2012 AND 2011
(Continued)**

11. Jointly Governed Organizations

Swiss Valley Joint Ambulance District (the District)

The District provides emergency medical services for the Village. The District is directed by an appointed seven-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Baltic, Village of Sugarcreek, Walnut Creek Township, Auburn Township, Clark Township, Sugarcreek Township and Bucks Township. The District provides emergency medical services to citizens within those areas. During 2012 and 2011, the Village paid \$16,883 in total to the District.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Baltic, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements and have issued our report thereon dated May 17, 2012 wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. In addition, the Village adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions* and the January 1, 2011 Permanent Fund cash balance was restated to account for common stock not previously reported.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-002 and 2012-003 described in the accompanying Schedule of Findings 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 Findings as items 2012-001 and 2012-002.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

May 17, 2013

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Ohio Rev. Code Section 5705.41(D)

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditures of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$100 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Finding Number - 2012-001 (Continued)

For 13 out of 34 (38%) expenditures tested in 2012 and 2011, the expenditures were not certified by the Fiscal Officer prior to incurring the obligation nor were "then and now" certificates utilized. Also, 2 out of 4 additional purchase orders issued by the Village were not provided for audit. Therefore, it could not be determined if these expenditures were properly certified. Additionally, for one other transaction tested, the purchase order was not provided; therefore, it could not be determined if the expenditure was properly encumbered at year end. The Village has not set a limit for blanket certificates.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used as directed by the Ohio Revised Code Section 5705.41(D)

The Fiscal Officer should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) required to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Also, Village Council should set a limit for blanket purchase orders.

2. Ohio Rev. Code Section 5705.10(C)

<i>Finding Number</i>	2012-002
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NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10(C) requires all revenue derived from a special levy to be credited to a special fund for the purpose for which the levy was made. The Village has levied property taxes for fire safety, police protection and the purchase of fire equipment. They received State reimbursements for the elimination of personal property taxes for these levies. During 2011, the Village receipted a \$24,127 reimbursement for personal property taxes into the General Fund; however, \$2,525, \$5,050 and \$7,970 was to be received in the Fire Fund, Police Fund and Fire Truck Fund, respectively. Additionally, the Village received personal property tax reimbursements in 2012. For one instance tested, \$5,314 was receipted into the Fire Fund that should have been receipted into the Fire Truck Fund.

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.

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. The financial statements and computer system have been adjusted accordingly.

3. Financial Reporting

<i>Finding Number</i>	2012-003
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MATERIAL WEAKNESS

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

- The Village's cemetery was bequeathed common stock in 2007. The common stock had a market value of \$5,645 at the time of donation. However, the common stock has not been reported as part of the Village's permanent fund balance;
- The Village obtained grants from the Ohio Public Works Commission (OPWC) in 2012 and 2011. OPWC disbursed \$8,839 and \$16,668 on behalf of the Village in 2012 and 2011. Contrary to Ohio Revised Code Section 5705.42, this activity was not reported by the Village;
- The Village has a loan with the Ohio Water Development Authority (OWDA). OWDA disbursed \$15,256 on behalf of the Village in 2011 which resulted in an increase in the loan balance. Contrary to Ohio Revised Code Section 5705.42, this activity was not reported by the Village;
- The Village obtained a \$165,000 loan from Baltic State Bank in 2011. A portion of this loan was used to eliminate a prior loan held with the bank. The Village only reported the net proceeds from the transaction and did not report \$69,067 in proceeds and loan repayment for the elimination of the prior loan;
- There were various classification errors with the reporting of principal and interest payments in 2012 and 2011. This included \$68,005 and \$67,968 in principal and interest payments being reported as capital outlay payments in 2012 and 2011, respectively;
- There were various classification errors with the reporting of Village fund balances in 2012 and 2011. This included reporting restricted fund balances of \$119,610 and \$92,886 as either an assigned or committed fund balance in 2012 and 2011, respectively. Additionally, the entire fund balance of the General Fund was reported as unassigned when the entire balance should have been reported as either an assigned fund balance or committed fund balance;
- The Village receives property tax reimbursements from the State. \$8,828 and \$12,656 were incorrectly reported as property tax revenue instead of intergovernmental revenue in the General Fund in 2012 and 2011, respectively.
- Rent revenue for \$7,861 and \$7,420 was incorrectly classified as charges for services in 2012 and 2011, respectively.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Finding Number 2012-003 (Continued)

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, including a final review of the statements and notes by the Fiscal Officer and Village Council, to identify and correct errors and omissions.

The financial statements have been corrected accordingly.

Official's Response: The Village elected not to respond to the aforementioned findings.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Mispostings of Revenues and Expenditures – The Village has material classification errors	No	Not Corrected, Repeated as Finding Number 2012-003
2010-002	Recording Direct Payments to Contractors – The Village did not report on-behalf payments made from grantors to contractors	No	Not Corrected, Repeated as Finding Number 2012-003

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VILLAGE OF BALTIC

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 13, 2013**