

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY  
Regular Audit  
December 31, 2008 and 2007**

*Perry & Associates*  
**Certified Public Accountants, A.C**





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Baltic, Tuscarawas County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 18, 2009

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**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT**

July 31, 2009

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

To the Village Council:

We have audited the accompanying financial statements of the **Village of Baltic, Tuscarawas County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Baltic, Tuscarawas County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.



**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$ 34,338	\$ 17,857	\$ -	\$ 25,432	\$ -	\$ 77,627
Municipal Income Tax	62,901	154,922	15,142	-	-	232,965
Intergovernmental	45,778	48,626	-	11,761	-	106,165
Charges for Services	4,495	56,802	25,650	-	-	86,947
Fines, Licenses, and Permits	1,455	-	-	-	-	1,455
Earnings on Investments	2,277	1,818	-	-	-	4,095
Miscellaneous	3,091	2,179	-	7,500	-	12,770
<b>Total Cash Receipts</b>	<b>154,335</b>	<b>282,204</b>	<b>40,792</b>	<b>44,693</b>	<b>-</b>	<b>522,024</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	23,808	128,093	-	-	-	151,901
Public Health Services	978	8,459	-	-	-	9,437
Leisure Time Activities	16,962	-	-	-	-	16,962
Community Environment	942	-	-	-	-	942
Transportation	6,062	81,460	-	-	-	87,522
General Government	103,364	13,072	-	-	-	116,436
Debt Service:						
Redemption of Principal	-	-	36,736	20,322	-	57,058
Interest and Fiscal Charges	-	-	20,303	7,546	-	27,849
Capital Outlay	3,350	11,227	-	9,533	-	24,110
<b>Total Cash Disbursements</b>	<b>155,466</b>	<b>242,311</b>	<b>57,039</b>	<b>37,401</b>	<b>-</b>	<b>492,217</b>
Total Cash Receipts Over/(Under) Disbursements	(1,131)	39,893	(16,247)	7,292	-	29,807
<b>Other Financing Receipts and (Disbursements):</b>						
Note Proceeds	-	-	-	9,533	-	9,533
Other Financing Sources	1,009	5,582	-	-	-	6,591
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>1,009</b>	<b>5,582</b>	<b>-</b>	<b>9,533</b>	<b>-</b>	<b>16,124</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(122)	45,475	(16,247)	16,825	-	45,931
Fund Cash Balances, January 1	64,727	157,494	40,790	36,784	24,291	324,086
<b>Fund Cash Balances, December 31</b>	<b>\$ 64,605</b>	<b>\$ 202,969</b>	<b>\$ 24,543</b>	<b>\$ 53,609</b>	<b>\$ 24,291</b>	<b>\$ 370,017</b>
Reserve for Encumbrances, December 31	-	255	2,200	-	-	2,455

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

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 241,910
Miscellaneous	1,919
Total Operating Revenues	243,829
<b>Operating Cash Disbursements:</b>	
Personal Services	114,706
Fringe Benefits	383
Contractual Services	65,634
Supplies and Materials	17,729
Capital Outlay	31,064
Total Operating Cash Disbursements	229,516
Operating Income (Loss)	14,313
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	743
Total Non-Operating Cash Receipts	743
Excess of Cash Receipts Over/(Under) Cash Disbursements	15,056
Fund Cash Balances, January 1	272,916
<b>Fund Cash Balances, December 31</b>	<b>\$ 287,972</b>
Reserve for Encumbrances, December 31	\$ 701

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

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$ 42,178	\$ 23,622	\$ -	\$ 31,805	\$ -	\$ 97,605
Municipal Income Tax	62,372	154,835	15,131	-	-	232,338
Intergovernmental	35,644	51,163	-	8,237	-	95,044
Charges for Services	5,925	53,002	25,586	-	-	84,513
Fines, Licenses, and Permits	2,167	-	-	-	-	2,167
Earnings on Investments	3,463	3,366	-	-	-	6,829
Miscellaneous	3,010	6,196	-	-	-	9,206
<b>Total Cash Receipts</b>	<b>154,759</b>	<b>292,184</b>	<b>40,717</b>	<b>40,042</b>	<b>-</b>	<b>527,702</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	23,065	157,028	-	-	-	180,093
Public Health Services	1,852	6,598	-	-	-	8,450
Leisure Time Activities	13,511	-	-	-	-	13,511
Community Environment	713	-	-	-	-	713
Transportation	11,068	131,915	-	-	-	142,983
General Government	98,924	13,078	-	-	-	112,002
Debt Service:						
Redemption of Principal	-	-	84,792	18,079	-	102,871
Interest and Fiscal Charges	-	-	21,497	8,477	-	29,974
Capital Outlay	956	25,621	-	100,315	-	126,892
<b>Total Cash Disbursements</b>	<b>150,089</b>	<b>334,240</b>	<b>106,289</b>	<b>126,871</b>	<b>-</b>	<b>717,489</b>
<b>Total Cash Receipts Over/(Under) Disbursements</b>	<b>4,670</b>	<b>(42,056)</b>	<b>(65,572)</b>	<b>(86,829)</b>	<b>-</b>	<b>(189,787)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Note Proceeds	-	-	-	9,705	-	9,705
Other Financing Sources	4,760	22,992	-	-	-	27,752
Other Financing Uses	(319)	-	-	-	-	(319)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>4,441</b>	<b>22,992</b>	<b>-</b>	<b>9,705</b>	<b>-</b>	<b>37,138</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,111	(19,064)	(65,572)	(77,124)	-	(152,649)
Fund Cash Balances, January 1	55,616	176,558	106,362	113,908	24,291	476,735
<b>Fund Cash Balances, December 31</b>	<b>\$ 64,727</b>	<b>\$ 157,494</b>	<b>\$ 40,790</b>	<b>\$ 36,784</b>	<b>\$ 24,291</b>	<b>\$ 324,086</b>
Reserve for Encumbrances, December 31	\$ 3,327	\$ 2,500	\$ -	\$ -	\$ -	\$ 5,827

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

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 243,114
Miscellaneous	15,290
Total Operating Revenues	258,404
<b>Operating Cash Disbursements:</b>	
Personal Services	104,849
Fringe Benefits	1,126
Contractual Services	50,281
Supplies and Materials	18,750
Capital Outlay	62,552
Total Operating Cash Disbursements	237,558
Operating Income (Loss)	20,846
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	1,424
Total Non-Operating Cash Receipts	1,424
Excess of Cash Receipts Over/(Under) Cash Disbursements	22,270
Fund Cash Balances, January 1	250,646
<b>Fund Cash Balances, December 31</b>	<b>\$ 272,916</b>
Reserve for Encumbrances, December 31	\$ 2,453

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

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Baltic, Tuscarawas County (the Village), as a body corporate and politic. A publicly elected six-member Council governs the Village. The Village provides general governmental services, including water and sewer utilities, park operations, and police and fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village considers investments in STAR Ohio to be cash equivalents.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Fire Fund – This fund receives real estate and property taxes and receipts from fire protection contracts with other communities for providing fire protection.

Police Fund – This fund receives tax levy monies for providing police protection.

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of note indebtedness. The Village has the following significant debt service funds:

Water-Sewer Debt Service Fund – This fund receives monies to retire the debt associated with the water and sewer improvements within the Village.

Waste Water Treatment Plant Debt Service Fund – This fund receives monies to retire the debt associated with the improvements at the wastewater treatment plant.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Fire Truck Fund – This fund receives monies from taxes to be used for acquisition of fire trucks and necessary equipment including payment of debt related to such purchases.

Waste Water Treatment Plant Construction Fund – This fund receives grant and loan monies for the construction and renovations of the water treatment plant.

**5. 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 the cost of providing this utility.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**5. Enterprise Funds (Continued)**

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**6. Permanent Fund**

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Village is acting in an agency capacity. The Village had the following significant Permanent Fund:

Cemetery Endowment Fund – This nonexpendable trust fund is used to accumulate interest from a bequest to the Village for cemetery maintenance and repairs.

**E. Budgetary Process**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<b>2008</b>	<b>2007</b>
Demand deposits	\$ 544,441	\$ 486,290
Total deposits	544,441	486,290
 STAR Ohio	 113,548	 110,712
Total investments	113,548	110,712
Total deposits and investments	\$ 657,989	\$ 597,002

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 149,918	\$ 155,344	\$ 5,426
Special Revenue	251,100	287,786	36,686
Debt Service	40,000	40,792	792
Capital Projects	45,586	54,226	8,640
Enterprise	214,600	244,572	29,972
Total	\$ 701,204	\$ 782,720	\$ 81,516



**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 214,645	\$ 155,466	\$ 59,179
Special Revenue	405,578	242,566	163,012
Debt Service	55,753	59,239	(3,486)
Capital Projects	40,454	37,401	3,053
Enterprise	485,248	230,217	255,031
Total	<u>\$ 1,201,678</u>	<u>\$ 724,889</u>	<u>\$ 476,789</u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 150,860	\$ 159,519	\$ 8,659
Special Revenue	269,975	315,176	45,201
Debt Service	41,000	40,717	(283)
Capital Projects	44,074	49,747	5,673
Enterprise	254,600	259,828	5,228
Total	<u>\$ 760,509</u>	<u>\$ 824,987</u>	<u>\$ 64,478</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 206,098	\$ 153,735	\$ 52,363
Special Revenue	462,959	336,740	126,219
Debt Service	155,301	106,289	49,012
Capital Projects	150,043	126,871	23,172
Enterprise	505,246	240,011	265,235
Total	<u>\$ 1,479,647</u>	<u>\$ 963,646</u>	<u>\$ 516,001</u>

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 21% of expenditures tested during 2008 and 20% of expenditures testing during 2007.

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in the Fire and Sewer Debt Retirement funds in 2007.

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the Water/Sewer Debt Service fund in 2008.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Fire Truck Promissory Note	\$ 134,189	5.00%
Ohio Public Works Commission (OPWC)	32,569	0.00%
Sewer System Improvement Bonds	226,164	5.00%
OWDA Loan	83,249	4.92%
WWTP Loan	132,310	6.00%
Total	\$ 608,481	

The debt note was incorrectly stated in the prior period. Loans balances as of December 31, 2006 were Fire Truck, \$172,589; Ohio Public Works Commission, \$43,903; Sewer System Improvement Bonds, \$292,439; OWDA loan, \$73,085; WWTP loan, \$167,156 for total debt of \$749,172.

The Fire Truck Loan was issued in 2005 for \$200,000. Payments are semi-annual in the amount of \$13,934 and will mature in March 2014.

The Ohio Public Works Commission (OPWC) Loans are for a water/sewer line extension project (issued in 1992) and a wastewater treatment plant renovation (issued in 2006). The initial loans were for \$50,558 and \$30,000 respectively. The water line loan will be repaid in semiannual installments of \$1,264 and will mature in 2012. The treatment plant renovation loan will be repaid in semiannual installments of \$750 and will mature in 2026.

The sewer system improvement bonds were issued in 2005 for \$250,000. Interest is paid semiannually with a principal reduction annually. Total yearly payments are \$20,060. These bonds will mature in 2025.

The OWDA loan is for the design phase of the water treatment construction project. The loan commitment is \$90,735 plus capitalized interest until fully disbursed. This loan has not been fully disbursed as of December 31, 2008. The Village is scheduled to make semiannual payments of \$2,268 until such time as the loan is fully disbursed and an amortization schedule is completed. Payments for this loan are not included in the table below.

The WWTP Loan is extended annually. It was originally issued for wastewater treatment plant improvements. The Village makes monthly payments of \$2,200 including interest. This loan is not included in the table below.

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

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. DEBT (Continued)**

Year ending December 31:	Fire Truck Loan	OPWC	Sewer System Impr. Bond	Total
2009	\$ 27,867	\$ 4,028	\$ 20,060	\$ 51,955
2010	27,867	4,028	20,061	51,956
2011	27,868	2,763	20,060	50,691
2012	27,868	1,500	20,061	49,429
2013	27,868	1,500	20,061	49,429
2014-2018	16,040	7,500	100,302	123,842
2019-2023	-	7,500	100,304	107,804
2023-2026	-	3,750	40,121	43,871
Total	<u>\$ 155,378</u>	<u>\$ 32,569</u>	<u>\$ 341,030</u>	<u>\$ 528,977</u>

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**6. PROPERTY TAX**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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 FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plans. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Village contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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<sup>st</sup>, 2007 and 2006 (the latest information available):

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

	<u>2007</u>	<u>2008</u>
Assets	\$11,136,455	\$ 9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Member Equity	<u>\$ 6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. JOINTLY GOVERNED ORGANIZATIONS**

The Swiss Valley Joint Ambulance District (the District) provides emergency medical services to the citizens within the District including the Village. The District is directed by an eight member Board of Trustees, who are appointed from participating villages and townships the District serves.

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization created as a regional council of governments pursuant to the Ohio Revised Code Section 5705.62. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, member from the County Auditor's Office and 7 members appointed by boards of education located within the County. The TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. The body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative body that approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent upon the Village's continued participation and no measurable equity interest exists.

**10. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed cost may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any would not be material.

**11. SUBSEQUENT EVENTS**

The Village has entered into two contract agreements in 2009 that are part of the water treatment plant construction contract. These contracts are for general construction in the amount of \$1,148,000 and plant equipment in the amount of \$282,516. This project is being financed by loans and grants from Ohio Public Works Commission, Ohio Water Development Authority and the Appalachian Federal Commission.

***Perry & Associates***  
Certified Public Accountants, A.C.

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056

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

July 31, 2009

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

To the Village Council:

We have audited the financial statements of the **Village of Baltic, Tuscarawas County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 31, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiency 2008-004 described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 31, 2009.

### **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, providing an opinion 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 matter that we must report under *Government Auditing Standard* which are described in the accompanying schedule of findings as item 2008-001 through 2008-003.

We also noted certain compliance matters that we reported to the Village's management in a separate letter dated July 31, 2009.

This report is intended solely for the information and use of management and Village Council and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
December 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2008-001**

**Noncompliance Citation/ Significant Deficiency**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The 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 expenditure 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 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 taxing authority.
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 entity 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.



**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
December 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-001 (Continued)**

**Ohio Revised Code § 5705.41(D) (Continued)**

The Village did not properly certify the availability of funds prior to purchase commitment for 21% and 20% of the expenditures tested during 2008 and 2007, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

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, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-002**

**Noncompliance Citation/ Significant Deficiency**

**Ohio Rev. Code § 5705.39** provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The appropriations exceeded that total estimated revenue for 2007 in the Fire Fund and the Sewer Debt Retirement Fund.

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
December 31, 2008 and 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2008-003**

**Noncompliance Citation/ Significant Deficiency**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2008 in the Water/Sewer Debt Service Fund.

We recommend the Fiscal Officer modify appropriations with the Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2008-004**

**Significant Deficiency/Material Weakness**

**Posting of Receipts and Expenditures**

During 2008 and 2007, several receipts and expenditures related to taxes, intergovernmental revenue, construction expense and debt were not posted into accurate classifications or funds based on the source of the receipt and expenditure. The following mispostings were noted during the audit:

- Debt payments were recorded in the wrong funds.
- Expenditures for debt payments were posted to capital outlay or entirely to principal or interest rather than broken down between principal and interest.
- A construction payment was posted to a debt service fund.
- Charges for service were posted to interest revenue.
- Tax reimbursements from the state were posted as tax revenue rather than as intergovernmental revenue.

These mispostings resulted in several audit reclassifications and fund balance adjustments.

We recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper establishment of revenue and expenditure accounts and posting of receipts and expenditures. We also recommend the Village set up checklist to ensure consistent recording of revenue and debt payments.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
December 31, 2008 and 2007**

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

**FINDING NUMBER 2008-005**

**Significant Deficiency**

**Posting Estimated Revenues and Appropriations**

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

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

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

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 5705.39 – Appropriations in excess of estimated resources.	No	Not Corrected, Repeated as finding 2008-002.



Mary Taylor, CPA  
Auditor of State

VILLAGE OF BALTIC  
TUSCARAWAS COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 1, 2009