

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C



Dave Yost • 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, 2009 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 30, 2011

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**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types - For the Year Ended December 31, 2010	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary Fund Types - For the Year Ended December 31, 2009	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Audit Findings	19
Schedule of Prior Audit Findings	20

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INDEPENDENT ACCOUNTANTS' REPORT

May 16, 2011

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, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009 or its changes in financial position or cash flows, where applicable for the years 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, Ohio as of December 31, 2010 and 2009, 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 May 16, 2011, 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, 2010**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 29,167	\$ 12,813	\$ -	\$ 20,443	\$ -	\$ 62,423
Municipal Income Tax	55,326	118,203	10,892	-	-	184,421
Intergovernmental	43,895	55,397	-	189,544	-	288,836
Charges for Services	3,805	60,740	25,677	-	-	90,222
Fines, Licenses, and Permits	177	-	-	-	-	177
Earnings on Investments	1,086	357	-	-	-	1,443
Miscellaneous	3,161	675	-	-	-	3,836
Total Cash Receipts	136,617	248,185	36,569	209,987	-	631,358
Cash Disbursements:						
Current:						
Security of Persons and Property	25,120	107,253	-	-	-	132,373
Public Health Services	1,669	9,219	-	-	-	10,888
Leisure Time Activities	14,280	-	-	-	-	14,280
Community Environment	1,328	-	-	-	-	1,328
Transportation	15,599	77,855	-	-	-	93,454
General Government	91,221	13,082	-	-	-	104,303
Capital Outlay	10,093	24,306	-	919,812	-	954,211
Debt Service:						
Redemption of Principal	-	-	35,181	22,447	-	57,628
Interest and Fiscal Charges	-	-	2,780	5,421	-	8,201
Total Cash Disbursements	159,310	231,715	37,961	947,680	-	1,376,666
Total Cash Receipts Over/(Under) Disbursements	(22,693)	16,470	(1,392)	(737,693)	-	(745,308)
Other Financing Receipts and (Disbursements):						
Note Proceeds	-	-	-	804,607	-	804,607
Other Financing Sources	1,902	3,771	-	-	-	5,673
Total Other Financing Receipts/(Disbursements)	1,902	3,771	-	804,607	-	810,280
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,791)	20,241	(1,392)	66,914	-	64,972
Fund Cash Balances, January 1	70,556	222,349	5,834	138,622	24,291	461,652
Fund Cash Balances, December 31	\$ 49,765	\$ 242,590	\$ 4,442	\$ 205,536	\$ 24,291	\$ 526,624
Reserve for Encumbrances, December 31	\$ 3,359	\$ 2,276	\$ -	\$ 3,813	\$ -	\$ 9,448

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, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 265,657
Miscellaneous	10,129
	<u>275,786</u>
Total Operating Revenues	
Operating Cash Disbursements:	
Personal Services	118,194
Fringe Benefits	993
Contractual Services	91,659
Supplies and Materials	24,610
Capital Outlay	14,990
	<u>250,446</u>
Total Operating Cash Disbursements	
Operating Income (Loss)	<u>25,340</u>
Non-Operating Cash Receipts:	
Intergovernmental Revenue	9,924
Earnings on Investments	4
	<u>9,928</u>
Total Non-Operating Cash Receipts	
Non-Operating Cash Disbursements:	
Debt Service:	
Redemption of Principal	22,609
Interest and Fiscal Charges	29,293
	<u>51,902</u>
Total Nonoperating Expenses	
Excess of Cash Receipts Over/(Under) Cash Disbursements	(16,634)
Transfer-In	30,000
Transfer-Out	(30,000)
	<u>(16,634)</u>
Net Receipts Over/(Under) Cash Disbursements	
Fund Cash Balances, January 1	<u>248,247</u>
Fund Cash Balances, December 31	<u>\$ 231,613</u>
Reserve for Encumbrances, December 31	<u>\$ 3,787</u>

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, 2009**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 28,670	\$ 12,785	\$ -	\$ 20,127	\$ -	\$ 61,582
Municipal Income Tax	46,289	114,007	11,144	-	-	171,440
Intergovernmental	82,408	70,449	-	358,965	-	511,822
Charges for Services	5,050	61,674	25,431	-	-	92,155
Fines, Licenses, and Permits	761	-	-	-	-	761
Earnings on Investments	1,014	407	-	-	-	1,421
Miscellaneous	4,268	3,442	-	14,500	-	22,210
Total Cash Receipts	168,460	262,764	36,575	393,592	-	861,391
Cash Disbursements:						
Current:						
Security of Persons and Property	24,867	123,709	-	-	-	148,576
Public Health Services	1,428	8,577	-	-	-	10,005
Leisure Time Activities	13,970	-	-	-	-	13,970
Community Environment	711	-	-	-	-	711
Transportation	2,960	79,478	-	-	-	82,438
General Government	103,010	14,514	-	-	-	117,524
Capital Outlay	19,624	27,019	-	639,890	-	686,533
Debt Service:						
Redemption of Principal	-	-	36,952	21,655	-	58,607
Interest and Fiscal Charges	-	-	18,332	6,213	-	24,545
Total Cash Disbursements	166,570	253,297	55,284	667,758	-	1,142,909
Total Cash Receipts Over/(Under) Disbursements	1,890	9,467	(18,709)	(274,166)	-	(281,518)
Other Financing Receipts and (Disbursements):						
Note Proceeds	-	-	-	285,179	-	285,179
Transfer-In	-	-	-	74,000	-	74,000
Other Financing Sources	4,061	9,913	-	-	-	13,974
Total Other Financing Receipts/(Disbursements)	4,061	9,913	-	359,179	-	373,153
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,951	19,380	(18,709)	85,013	-	91,635
Fund Cash Balances, January 1	64,605	202,969	24,543	53,609	24,291	370,017
Fund Cash Balances, December 31	\$ 70,556	\$ 222,349	\$ 5,834	\$ 138,622	\$ 24,291	\$ 461,652
Reserve for Encumbrances, December 31	\$ 1,542	\$ 972	\$ -	\$ -	\$ -	\$ 2,514

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, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 248,445
Miscellaneous	1,637
Total Operating Revenues	250,082
Operating Cash Disbursements:	
Personal Services	116,874
Transportation	297
Contractual Services	69,206
Supplies and Materials	16,793
Capital Outlay	12,719
Total Operating Cash Disbursements	215,889
Operating Income (Loss)	34,193
Non-Operating Cash Receipts:	
Earnings on Investments	82
Total Non-Operating Cash Receipts	82
Excess of Cash Receipts Over/(Under) Cash Disbursements	34,275
Transfer-Out	(74,000)
Net Receipts Over/(Under) Cash Disbursements	(39,725)
Fund Cash Balances, January 1	287,972
Fund Cash Balances, December 31	\$ 248,247
Reserve for Encumbrances, December 31	\$ 2,660

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, 2010 AND 2009

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 participates in two jointly governed organizations and the Ohio Government Risk Management Plan public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

1. Swiss Valley Joint Ambulance District which provides emergency medical services to residents, and
2. Tuscarawas County Tax Incentive Review Council which reviews and evaluates the performance of enterprise zones.

Public Entity Risk Pool:

The Village participates in the Ohio Government Risk Management Plan to provide for insurance needs.

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. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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 account for resources the Village accumulates to pay bond and note debt. The Village had 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.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Permanent Fund

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This nonexpendable trust fund is used to maintain a bequest to the Village for general cemetery maintenance and repairs. The interest on this endowment fund is recorded in the special revenue cemetery fund. 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 the cost of providing this utility.

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

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.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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 in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. 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.

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 DEPOSITS AND INVESTMENTS

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

	2010	2009
Demand deposits	\$ 672,321	\$ 596,037
Total deposits	672,321	596,037
 STAR Ohio	 85,916	 113,862
Total investments	85,916	113,862
Total deposits and investments	\$ 758,237	\$ 709,899

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.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 123,612	\$ 138,519	\$ 14,907
Special Revenue	191,235	251,956	60,721
Debt Service	42,127	36,569	(5,558)
Capital Projects	1,194,960	1,014,594	(180,366)
Enterprise	277,885	315,714	37,829
Total	\$ 1,829,819	\$ 1,757,352	\$ (72,467)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 194,168	\$ 162,670	\$ 31,498
Special Revenue	409,576	233,991	175,585
Debt Service	47,961	37,961	10,000
Capital Projects	1,333,582	951,493	382,089
Enterprise	526,487	336,135	190,352
Total	\$ 2,511,774	\$ 1,722,250	\$ 789,524

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 164,372	\$ 172,521	\$ 8,149
Special Revenue	242,810	272,677	29,867
Debt Service	40,000	36,575	(3,425)
Capital Projects	981,700	752,771	(228,929)
Enterprise	216,188	250,164	33,976
Total	\$ 1,645,070	\$ 1,484,708	\$ (160,362)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 233,413	\$ 168,112	\$ 65,301
Special Revenue	442,343	254,269	188,074
Debt Service	60,319	55,284	5,035
Capital Projects	1,033,897	667,758	366,139
Enterprise	501,563	292,549	209,014
Total	\$ 2,271,535	\$ 1,437,972	\$ 833,563

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

4. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Fire Truck Promissory Note	\$ 90,087	5.00%
Ohio Public Works Commission (OPWC)	374,513	0.00%
Sewer System Improvement Bonds	208,222	5.00%
Ohio Water Development Authority Loans (OWDA)	798,158	2.00%
Waste Water Treatment Plant Loan	88,443	6.00%
Total	\$ 1,559,423	

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 Village obtained an additional OPWC loan in 2010 for the Water Treatment Plant replacement project. This loan was originally for \$350,000 at 0% for a term of 20 years.

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 new water treatment plant construction project. The loan commitment is \$859,930. This loan has not been fully disbursed as of December 31, 2010. This loan includes the previous OWDA loan for the design phase of the plant construction. An amortization schedule has not been completed at this time. 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.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

4. DEBT (Continued)

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

Year ending December 31:	Fire Truck Loan	OPWC	Sewer System Impr. Bond	Total
2011	\$ 27,867	\$ 20,263	\$ 20,060	\$ 68,190
2012	27,867	19,000	20,061	66,928
2013	27,868	19,000	20,060	66,928
2014	15,842	19,000	20,061	54,903
2015	-	19,000	20,061	39,061
2016-2020	-	95,000	100,302	195,302
2021-2025	-	95,000	100,304	195,304
2026-2030	-	88,250	-	88,250
Total	<u>\$ 99,444</u>	<u>\$ 374,513</u>	<u>\$ 300,909</u>	<u>\$ 774,866</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 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.

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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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 plan. 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% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

Risk Pool Membership

Through December 31, 2008, the Village belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), 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 retain 17.5% (15% through October 31, 2009) 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 725 members as of December 31, 2009. The Village participates in this coverage.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Government does not participate in this coverage.

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: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	Total 2009	2008
Assets	\$ 11,176,186	\$ 1,358,802	\$ 12,534,988	\$ 10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members'				
Equity	<u>\$ 6,323,701</u>	<u>\$ 105,185</u>	<u>\$ 6,428,886</u>	<u>\$ 5,184,333</u>

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

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

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 42 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. INTERFUND TRANSFERS

During 2009 and 2010 the following transfers were made:

2009	Amount
Transfer from Water Operating Fund to Filtration Plant Construction Fund	\$ 74,000
2010	
Transfer from Water Operating Fund to Water Debt Fund	\$ 30,000

These transfers represent the allocation of charges for services receipts collected in the Water Operating Fund to finance the construction of the new water treatment plant and to pay debt for this construction in accordance with budgetary authorizations.

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

May 16, 2011

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, 2010 and 2009, and have issued our report thereon dated May 16, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider to be 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-01 and 2010-02 described in the accompanying schedule of audit 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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 16, 2011.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Government's responses and, accordingly, we express no opinion on them.

We intend the report solely for the information and use of management, Village Council and others with the Village. We intend it for no one 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, 2010 and 2009

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

FINDING NUMBER 2010-001

Material Weakness

Posting of Receipts and Expenditures

During 2010 and 2009, several receipts and expenditures related to taxes, intergovernmental revenue, construction revenue and debt were not posted into accurate classifications based on the source of the receipt or expenditure. The following mispostings were noted during the audit:

- Expenditures for debt payments were posted to capital outlay or entirely to principal or interest rather than broken down between principal and interest.
- Construction loan revenue was posted as intergovernmental revenue.
- Tax reimbursements from the state were posted as tax revenue rather than as intergovernmental revenue.

These mispostings resulted in several audit reclassifications. The accompanying financial statements reflect all reclassifications.

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 review the financial statement preparation process with the program consultant to ensure all general ledger accounts are rolling up to the proper classification on the financial statements.

Management's Response – We will review the account coding in the Village Officer's Handbook to ensure we have coded all accounts properly. We will also review the accounts and where they roll up on the financial statements with our accounting system representative to make sure all accounts are reflected properly on the financial statements.

FINDING NUMBER 2010-002

Material Weakness

Recording Direct Payments to Contractors

The Village is required to record all direct payments made by the grantor or lender to the contractors on the construction projects. We noted two payments totaling \$90,455 were not recorded on the Village's books in 2010. In addition, capitalized interest was not recorded in 2009.

Adjustments were made to record both the expenses as capital outlay and the revenue as intergovernmental revenue. The accompanying financial statements reflect all reclassifications.

We recommend the Village establish a procedure to review the documentation from the project manager and funding sources to ensure all direct payments are recorded both as receipts and expenditures.

Management's Response – We did not receive correspondence from the project administrator indicating some of the payments made. We will monitor more closely the activity of all projects in the future.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 and 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Section 5705.41(D) – Certifying availability of funds.	Yes	
2008-002	ORC Section 5705.39 – Appropriations in excess of estimated resources.	No	Partially corrected - Moved to Management Letter
2008-003	ORC Section 5705.41(B) – Expenditures is excess of appropriations.	No	Partially corrected - Moved to Management Letter
2008-004	Mispostings of receipts and expenditures	No	Repeat as Finding 2010-01
2008-005	Reconciling estimated revenues and appropriations between County Budget Commission and Village records.	No	Partially corrected - Moved to Management Letter



Dave Yost • 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
SEPTEMBER 13, 2011