

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005**





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Baltic  
102 West Main Street  
P.O. Box 320  
Baltic, Ohio 43804

We have reviewed the *Independent Accountants' Report* of the Village of Baltic, Tuscarawas County, prepared by Knox & Knox, for the audit period January 1, 2005 through December 31, 2006. 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

April 23, 2008

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**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

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# KNOX & KNOX

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## Accountants and Consultants

### Independent Accountants' Report

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

We have audited the accompanying financial statements of the Village of Baltic, Tuscarawas County, as of and for the years ended December 31, 2006 and 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and reserves for encumbrances of the Village as of December 31, 2006 and 2005, or its changes in financial position 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 of the Village of Baltic, Tuscarawas County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and cash flows for the years then ended on the basis of accounting described in Note 1.

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 August 6, 2007, 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 do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
August 2, 2007

**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, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>CASH RECEIPTS:</b>						
Property and Other Local Taxes	\$50,121	\$30,481		\$36,758		\$117,360
Municipal Income Taxes	72,826	\$166,700	\$16,610			256,136
Intergovernmental Revenue	25,786	34,496		166,310		226,592
Charges for Services	4,551	49,250	26,044			79,845
Licenses, Permits, and Fees	2,247	765				3,012
Earnings on Investments	3,876	3,316				7,192
Other	3,480	80				3,560
<b>Total Cash Receipts</b>	<b>162,887</b>	<b>285,088</b>	<b>42,654</b>	<b>203,068</b>		<b>693,697</b>
<b>CASH DISBURSEMENTS:</b>						
<b>Current:</b>						
Security of Persons & Property	23,326	136,207				159,533
Public Health Services	1,859	6,664				8,523
Leisure Time Activities	10,213					10,213
Community Involvement	515					515
Transportation	1,236	128,977				130,213
General Government	112,727	11,640				124,367
Capital Outlay	17,600	10,206		431,552		459,358
<b>Debt Service:</b>						
Redemption of Principal		13,500	31,485	29,927		74,912
Interest/Other Fiscal Charges			1,593			1,593
<b>Total Cash Disbursements</b>	<b>167,476</b>	<b>307,194</b>	<b>33,078</b>	<b>461,479</b>		<b>969,227</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(4,589)</b>	<b>(22,106)</b>	<b>9,576</b>	<b>(258,411)</b>		<b>(275,530)</b>
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>						
Sale of Notes				71,661		71,661
Transfers-In		29,869				29,869
Transfers-Out	(29,869)					(29,869)
Other Financing Sources	166	10,606			2,925	13,697
<b>Total Other Financing Receipts/Disbursements</b>	<b>(29,703)</b>	<b>40,475</b>		<b>71,661</b>	<b>2,925</b>	<b>85,358</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(34,292)</b>	<b>18,369</b>	<b>9,576</b>	<b>(186,750)</b>	<b>2,925</b>	<b>(190,172)</b>
<b>Fund Cash Balances, January 1</b>	<b>89,908</b>	<b>158,189</b>	<b>96,786</b>	<b>\$300,658</b>	<b>21,366</b>	<b>666,907</b>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b><u>\$55,616</u></b>	<b><u>\$176,558</u></b>	<b><u>\$106,362</u></b>	<b><u>\$113,908</u></b>	<b><u>\$24,291</u></b>	<b><u>\$476,735</u></b>

*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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	\$248,413
Miscellaneous	7,579
Total Operating Cash Receipts	255,992
<b>OPERATING CASH DISBURSEMENTS:</b>	
Personal Services	103,239
Travel/Transportation	970
Contractual Services	65,819
Supplies and Materials	16,113
Capital Outlay	16,732
Total Operating Cash Disbursements	202,873
Operating Income (Loss)	53,119
<b>NON-OPERATING CASH RECEIPTS</b>	
Earnings on Investments	1,310
Total Other Non-Operating Cash Receipts (Disbursements)	1,310
Net Receipts Over/(Under) Disbursements	54,429
Fund Cash Balances, January 1	196,217
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$250,646</b>
Reserves for Encumbrances, December 31	\$218

*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, 2005**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>CASH RECEIPTS:</b>						
Property and Other Local Taxes	\$50,249	\$30,132		\$35,677		\$116,058
Municipal Income Taxes	78,820	\$179,766	\$17,976			276,562
Intergovernmental Revenue	29,132	54,286		2,417		85,835
Charges for Services	5,325	45,050	27,763			78,138
Licenses, Permits, and Fees	2,879					2,879
Earnings on Investments	2,673	2,059				4,732
Other	2,659	60				2,719
<b>Total Cash Receipts</b>	<b>171,737</b>	<b>311,353</b>	<b>45,739</b>	<b>38,094</b>		<b>566,923</b>
<b>CASH DISBURSEMENTS:</b>						
<b>Current:</b>						
Security of Persons & Property	20,631	133,918				154,549
Public Health Services	1,507	5,231				6,738
Leisure Time Activities	12,075					12,075
Community Involvement	757					757
Transportation	37,490	106,159				143,649
General Government	105,585	13,662				119,247
Capital Outlay	2,000	29,517		60,785		92,302
<b>Debt Service:</b>						
Redemption of Principal		13,859	2,528			16,387
Interest/Other Fiscal Charges			603			603
<b>Total Cash Disbursements</b>	<b>180,045</b>	<b>302,346</b>	<b>3,131</b>	<b>60,785</b>		<b>546,307</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(8,308)</b>	<b>9,007</b>	<b>42,608</b>	<b>(22,691)</b>		<b>20,616</b>
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>						
Sale of Bonds				250,000		250,000
Sale of Notes				50,000		50,000
Other Financing Sources	448	6,166				6,614
<b>Total Other Financing Receipts/Disbursements</b>	<b>448</b>	<b>6,166</b>		<b>300,000</b>		<b>306,614</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(7,860)</b>	<b>15,173</b>	<b>42,608</b>	<b>277,309</b>		<b>327,230</b>
<b>Fund Cash Balances, January 1</b>	<b>97,768</b>	<b>143,016</b>	<b>54,178</b>	<b>\$23,349</b>	<b>\$21,366</b>	<b>339,677</b>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b><u>\$89,908</u></b>	<b><u>\$158,189</u></b>	<b><u>\$96,786</u></b>	<b><u>\$300,658</u></b>	<b><u>\$21,366</u></b>	<b><u>\$666,907</u></b>
<b>Reserves for Encumbrances, December 31</b>	<b><u>\$930</u></b>					<b><u>\$930</u></b>

*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 AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	\$260,900
Miscellaneous	<u>90</u>
Total Operating Cash Receipts	<u>260,990</u>
<b>OPERATING CASH DISBURSEMENTS:</b>	
Personal Services	98,674
Travel/Transportation	1,208
Contractual Services	56,519
Supplies and Materials	46,720
Capital Outlay	<u>23,612</u>
Total Operating Cash Disbursements	<u>226,733</u>
Operating Income (Loss)	<u>34,257</u>
<b>NON-OPERATING CASH RECEIPTS</b>	
Earnings on Investments	<u>793</u>
Total Other Non-Operating Cash Receipts (Disbursements)	<u>793</u>
Net Receipts Over/(Under) Disbursements	35,050
Fund Cash Balances, January 1	<u>161,169</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><u>\$196,219</u></u>

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

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Baltic, Tuscarawas County, (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities, park operations (leisure time activities), and police and fire protection service.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. 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, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**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 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 (other than from 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 tax money to pay for constructing, maintaining, and repairing Village streets.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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

**2. Special Revenue Funds**

*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**

This fund is used to accumulate resources for the payment of note indebtedness. The Village had the following debt service fund:

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

*Waster 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 Projects Funds**

*Fire Truck Service Fund* - This fund is used to account for receipts from the sale of notes to pay for the purchase of a new fire truck.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has 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.

**6. Permanent Funds**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a permanent fund. The Village had the following significant Permanent Fund:

*Cemetery Endowment Fund* - This nonexpendable trust fund is used to account for a bequest to the Village for maintenance of the cemetery.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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

**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 office, department or division level of control, and within these the amounts appropriated for personal services. The 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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**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 payment for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)**

	2006	2005
Demand deposits	\$622,105	\$762,854
STAR Ohio	105,276	100,272
Total Deposits and Investments	<u>\$727,381</u>	<u>\$863,126</u>

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

**Investments:** STAR Ohio (an investment pool operated by the Ohio State Treasurer) is not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$150,261	\$163,054	\$12,793
Special Revenue	261,600	325,563	63,963
Debt Service Fund	44,500	42,654	(1,846)
Capital Projects	29,400	274,729	245,329
Permanent Funds		2,925	2,925
Enterprise Funds	254,600	257,303	2,703
Total	<u>\$740,361</u>	<u>\$1,066,228</u>	<u>\$325,867</u>

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,738	\$197,345	\$43,393
Special Revenue	454,150	307,194	146,956
Debt Service Fund	141,286	33,078	108,208
Capital Projects	689,806	461,479	228,327
Permanent Funds:	1,366		1,366
Enterprise Funds:	450,817	203,091	247,726
Total	<u>\$1,978,163</u>	<u>\$1,202,187</u>	<u>\$775,976</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,330	\$172,185	(\$28,145)
Special Revenue	315,000	317,515	2,515
Debt Service Fund	65,000	45,739	(19,261)
Capital Projects	198,500	338,094	139,594
Enterprise Funds:	235,000	261,783	26,783
Total	<u>\$1,013,830</u>	<u>\$1,135,316</u>	<u>\$121,486</u>

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**3. BUDGETARY ACTIVITY (continued)**

Fund Type	2005 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$310,616	\$180,975	\$129,641
Special Revenue	425,000	302,346	122,654
Debt Service Fund	90,000	3,131	86,869
Capital Projects	410,000	60,785	349,215
Enterprise Funds:	400,625	226,733	173,892
Total	<u>\$1,636,241</u>	<u>\$773,970</u>	<u>\$862,271</u>

The Village had appropriations exceed estimated resources in the General (2006 and 2005), Capital Projects (2006 and 2005), Special Revenue (2006) and Enterprise (2005) Fund types.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half 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.

**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. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Fire Truck Promissory Note	\$175,258	6.00%
Ohio Public Works Commission (OWPC)	3,764	0.00%
Baltic State Bank (WWTP)	<u>270,073</u>	5.00%
Total	<u>\$449,095</u>	

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**6. DEBT (continued)**

The Ohio Public Works Commission (OPWC) Loan relates to a water/sewer line extension project. The initial loan will be repaid in semiannual installments of \$1,264, over 20 years.

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

The Baltic State Loan matures annually. It was originally issued for waste water treatment plant improvements.

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

Year ending December 31:	Fire Truck Loan		
	Principal	Interest	Total
2007	\$24,038	\$3,830	\$27,868
2008	24,310	3,558	27,868
2009	24,673	3,195	27,868
2010	25,036	2,832	27,868
2011	25,636	2,250	27,886
2012-2015	51,565	2,445	54,010
Total	<u>\$175,258</u>	<u>\$18,110</u>	<u>\$193,368</u>

Year ending December 31:	Ohio Public Works Commission		
	Principal	Interest	Total
2007	\$2,528		\$2,528
2008	1,236		1,236
Total	<u>\$3,764</u>		<u>\$3,764</u>

Year ending December 31:	Baltic State Bank		
	Principal	Interest	Total
2007	<u>\$270,073</u>	<u>\$13,503</u>	<u>\$283,576</u>

**7. RETIREMENT SYSTEM**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks.

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

**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, 1 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. RECLASSIFICATION**

	<u>Debt Service</u>	<u>Capital Projects</u>
12/31/04 balance	\$77,526	
Reclassification	<u>(23,348)</u>	<u>\$23,348</u>
1/1/05 balance	<u><u>\$54,178</u></u>	<u><u>\$23,348</u></u>
	<u>Nonexpendable</u>	<u>Permanent</u>
	<u>Trust</u>	
12/31/04 balance	\$21,366	
Reclassification	<u>(21,366)</u>	<u>\$21,366</u>
1/1/05 balance	<u><u>\$21,366</u></u>	<u><u>\$21,366</u></u>

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**11. RECLASSIFICATION (continued)**

The reclassification was to reflect the actual balances at January 1, 2005, for debt service, capital projects, nonexpendable trust, and permanent funds.

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# KNOX & KNOX

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## Accountants and Consultants

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 6, 2007, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Village's management in a separate letter dated August 6, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village 's basic 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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* and is shown in the accompanying schedule as Finding Number 2006-01.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
August 6, 2007

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2006-01**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated resources from each fund. This section requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During fiscal year 2006 and 2005, total appropriations exceeded total estimated resources as follows:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General (2006)	\$240,169	\$240,738	(\$569)
Special Revenue (2006)	\$419,789	\$454,150	(\$34,361)
Capital Projects (2006)	\$330,058	\$689,806	(\$359,748)
General (2005)	\$298,098	\$310,616	(\$12,518)
Capital Projects (2005)	\$221,849	\$410,000	(\$188,151)
Enterprise (2005)	\$396,169	\$400,625	(\$4,456)

To avoid overspending, the Village should not appropriate in excess of estimated resources.

**Client Response:** None

**VILLAGE OF BALTIC  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-01	Ohio Revised Code 5705.41(B) requires expenditures to be properly appropriated	Yes	Finding no longer valid
2004-02	Ohio Revised Code Section 5705.39 total appropriations not to exceed estimated resources	No	Repeated as finding number 2006-01





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  
MAY 8, 2008