

**VILLAGE OF BALTIC
Tuscarawas County**

Regular Audit

For the Years Ended December 31, 2004 - 2003



**Auditor of State
Betty Montgomery**

Village Council
Village of Baltic
102 West Main St.
Box 320
Baltic, OH 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, 2003 through December 31, 2004. 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 20, 2005

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**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

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Independent Accountants' Report

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

To the Members of Council:

We have audited the accompanying financial statements of Village of Baltic, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. 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 discussed 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 accounting principles generally accepted in the United States of America, 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of the State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to

reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above 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, 2004 and 2003, or its changes in financial position 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 of the Village of Baltic, Tuscarawas County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 October 14, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
October 14, 2005

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY
FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$111,215	\$182,758	\$ 45,923		\$339,896
Intergovernmental Receipts	24,747	29,393	2,582		56,722
Charges for Services	6,055	43,694	27,736		77,485
Fines, Licenses, and Permits	2,445				2,445
Earnings on Investments	1,677	870			2,547
Miscellaneous	2,353	3,166		\$ 435	5,954
Total Cash Receipts	148,492	259,881	76,241	435	485,049
Cash Disbursements:					
Current:					
Security of Persons and Property	21,176	124,982			146,158
Public Health Services	1,627	2,908			4,535
Leisure Time Activities	13,370				13,370
Community Environment	536				536
Transportation	25,244	100,682			125,926
General Government	100,834	13,627			114,461
Debt Service:					
Principal Payments			41,709		41,709
Interest Payments			9,821		9,821
Capital Outlay	9,336	18,712		521	28,569
Total Cash Disbursements	172,123	260,911	51,530	521	485,085
Total Cash Receipts Over/ (Under) Cash Disbursements	< 23,631 >	< 1,030 >	24,711	< 86 >	< 36 >
Other Financing Receipts :					
Other Sources	213	2,096			2,309
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	< 23,418 >	1,066	24,711	< 86 >	2,273
Fund Cash Balances, January 1	121,188	141,719	52,815	316	316,038
Fund Cash Balances, December 31	\$ 97,770	\$142,785	\$77,526	\$ 230	\$318,311
Reserves for Encumbrances, December 31	\$ 2,700	\$ 3,505	\$ 0	\$ 0	\$ 6,205

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, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	<u>\$248,301</u>	<u> </u>	<u>\$248,301</u>
Total Operating Cash Receipts	<u>248,301</u>	<u> </u>	<u>248,301</u>
Operating Cash Disbursements:			
Personal Services	95,691		95,691
Travel Transportation	1,292		1,292
Contractual Services	63,609	\$ 1,800	65,409
Supplies and Materials	29,913		29,913
Capital Outlay	<u>121,403</u>	<u> </u>	<u>121,403</u>
Total Operating Cash Disbursements	<u>311,908</u>	<u>1,800</u>	<u>313,708</u>
Operating Income/(Loss)	<u><63,607></u>	<u>< 1,800></u>	<u>< 65,407></u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	2,180		2,180
Earnings on Investments	<u>323</u>	<u> </u>	<u>323</u>
Total Non-Operating Cash Receipts	<u>2,503</u>	<u> </u>	<u>2,503</u>
Net Receipts (Under)/Over Disbursements	<u>< 61,104></u>	<u>< 1,800></u>	<u>< 62,904></u>
Fund Cash Balances, January 1	<u>222,273</u>	<u>23,166</u>	<u>245,439</u>
Fund Cash Balances, December 31	<u>\$ 161,169</u>	<u>\$ 21,366</u>	<u>\$182,535</u>
Reserves for Encumbrances, December 31	<u>\$ </u>	<u>\$ </u>	<u>\$ </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 AND SIMILAR FIDUCIARY
FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Expendable Trust	(Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	\$112,822	\$189,598	\$ 50,220		\$352,640
Intergovernmental Receipts	27,650	61,432	3,154		92,236
Charges for Services	5,775	42,175	27,494		75,444
Fines, Licenses, and Permits	751				751
Earnings on Investments	2,427	804			3,231
Contributions and Donations				\$200	200
Miscellaneous	1,819	13,982			15,801
Total Cash Receipts	151,244	307,991	80,868	200	540,303
Cash Disbursements:					
Current:					
Security of Persons and Property	15,458	127,760			143,218
Public Health Services	8,417	2,545			10,962
Leisure Time Activities	11,012				11,012
Community Environment	249				249
Transportation	23,292	105,209			128,501
General Government	96,604	9,499			106,103
Debt Service:					
Principal Payments			44,691		44,691
Interest Payments			14,233		14,233
Capital Outlay	28,089	69,267		235	97,591
Total Cash Disbursements	183,121	314,280	58,924	235	556,560
Total Receipts Over/ (Under)					
Disbursements	< 31,877 >	< 6,289 >	21,944	< 35 >	<16,257 >
Other Financing Receipts :					
Other Sources	_____	69	_____	_____	69
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements					
	<31,877 >	< 6,220 >	21,944	< 35 >	< 16,188 >
Fund Cash Balances, January 1	153,065	147,939	30,871	351	332,226
Fund Cash Balances, December 31	\$121,188	\$141,719	\$52,815	\$ 316	\$316,038
Reserves for Encumbrances, December 31	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$246,330		\$246,330
	<u> </u>	<u> </u>	<u> </u>
Total Operating Cash Receipts	246,330	<u> </u>	<u>246,330</u>
Operating Cash Disbursements:			
Personal Services	87,959		87,959
Travel Transportation	1,117		1,117
Contractual Services	69,408	\$ 4,762	74,170
Supplies and Materials	24,949		24,949
Capital Outlay	<u>18,542</u>	<u> </u>	<u>18,542</u>
Total Operating Cash Disbursements	<u>201,975</u>	<u>4,762</u>	<u>206,737</u>
Operating Income	<u>44,355</u>	<u>< 4,762 ></u>	<u>39,593</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	2,703		2,703
Earnings on Investments	<u>308</u>	<u>340</u>	<u>648</u>
Total Non-Operating Cash Receipts	<u>3,011</u>	<u>340</u>	<u>3,351</u>
Net Receipts (Under)/Over Disbursements	47,366	< 4,422 >	42,944
Fund Cash Balances, January 1	<u>174,907</u>	<u>27,588</u>	<u>202,495</u>
Fund Cash Balances, December 31	<u>\$ 222,273</u>	<u>\$ 23,166</u>	<u>\$245,439</u>
Reserves for Encumbrances, December 31	<u>\$ </u>	<u>\$ </u>	<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
DECEMBER 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Baltic , Tuscarawas County, (the Village) is a body 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 utility, park operations (leisure time activities), and police and fire protection services.

The Village is associated with the Swiss Valley Joint Ambulance District and the Tuscarawas County Tax Incentive Review Council which are defined as Jointly Governed Organizations. These organizations are presented in Note 9.

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 for construction, maintenance and repairing Village streets.

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

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

D. **Fund Accounting** (continued)

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 Funds**

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, bonds and note indebtedness. The Village had the following 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.

Fire Truck Debt 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.

4. **Enterprise Funds**

These funds are used to 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 had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing water service.

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

5. **Fiduciary Funds (Trust)**

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 nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Funds:

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

Shade Tree Fund - This expendable trust fund is used to account for donations for the purpose of providing trees throughout the Village in the public right-of-way.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

E. Budgetary Process

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, and appropriations may not exceed estimated resources. 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.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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. Unpaid leave is not reflected as liability under the Village's basis of accounting.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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:

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$403,601</u>	<u>\$465,460</u>
Total deposits	403,601	465,460
STAR Ohio	<u>97,245</u>	<u>96,017</u>
Total deposits and investments	<u>\$ 500,846</u>	<u>\$561,477</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 141,165	\$ 148,705	\$ 7,540
Special Revenue	241,200	261,977	20,777
Debt Service	42,000	76,241	34,241
Enterprise	244,300	250,804	6,504
Fiduciary		435	435
Total	<u>\$ 668,665</u>	<u>\$ 738,162</u>	<u>\$ 69,497</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 272,936	\$ 174,823	\$ 98,113
Special Revenue	410,566	264,416	146,150
Debt Service	57,383	51,530	5,853
Enterprise	409,526	311,908	97,618
Fiduciary	316	2,321	<2,005>
Total	<u>\$1,150,727</u>	<u>\$ 804,998</u>	<u>\$ 345,729</u>

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 150,000	\$ 151,244	\$ 1,244
Special Revenue	274,674	308,060	33,386
Debt Service	55,600	80,868	25,268
Enterprise	237,500	249,341	11,841
Fiduciary	300	540	240
Total	\$ 718,074	\$ 790,053	\$ 71,979

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 302,064	\$ 183,121	\$118,943
Special Revenue	395,925	314,280	81,645
Debt Service	89,522	58,924	30,598
Enterprise	380,960	201,975	178,985
Fiduciary	8,328	4,997	,3,331
Total	\$1,176,799	\$ 763,297	\$ 413,502

4. 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 payments for first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owner, 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.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Promissory Note	\$ 149,774	5.30%
Ohio Public works Commission Loan (OPWC)	<u>18,959</u>	0.00
Total	<u>\$ 168,733</u>	

The Ohio Public Works Commission Loan relates to a water/sewer line extension project. The initial loan will be repaid in semiannual installments of \$1,264, over 20 years. Promissory Notes were issued to purchase a fire truck. Amortization for the above debt, including interest, is scheduled as follows:

	<u>Fire Truck Promissory Note</u>	<u>Ohio Public Works Commission Loan OPWC</u>
<u>Year ending December 31:</u>		
2005	\$ 29,927	\$2,528
2006	29,927	2,528
2007	29,927	2,528
2008	29,927	2,528
2009	29,927	2,528
Subsequent	<u>60,000</u>	<u>6,319</u>
Total	<u>\$179,562</u>	<u>\$ 18,959</u>

7. RETIREMENT SYSTEMS

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The 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. For 2004 and 2003, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

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 (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 Rev. 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 costs 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.

KNOX & KNOX

Accountants and Consultants

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Baltic
Tuscarawas County
PO Box 83
Baltic, OH 44840

To the Members of 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, 2004 and December 31, 2003, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which would have a direct and material effect on 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 such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2004 - 001 and 2004-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village, in a separate letter dated October 14, 2005.

Village of Baltic
Tuscarawas County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*

Page Two

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

KNOX & KNOX

Orrville, Ohio
October 14, 2005

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) requires that no subdivision or taxing unit is to expend money unless it has properly appropriated.

The Village expenditures exceeded appropriations at the fund level in the following instance at December 31, 2004.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Fiduciary	\$ 316	\$ 2,321	\$ 2,005

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also 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 2004, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$269,893	\$ 272,936	\$ 3,043
Special Revenue	403,696	410,566	6,870

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



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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800-282-0370
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**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2005**