



**Auditor of State
Betty Montgomery**

VILLAGE OF BALTIC
TUSCARAWAS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Baltic
Tuscarawas County
102 W. Main Street
P.O. Box 320
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, 2002 and 2001. 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 audits.

We conducted our audits 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 made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 12, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$104,429	\$183,290	\$42,097	\$0	\$329,816
Intergovernmental	38,886	80,845	21,136		140,867
Charges for Services	8,341	40,845	27,145		76,331
Fines, Licenses, and Permits	1,131				1,131
Earnings on Investments	2,575	1,947			4,522
Miscellaneous	3,519	1,302		125	4,946
Total Cash Receipts	<u>158,881</u>	<u>308,229</u>	<u>90,378</u>	<u>125</u>	<u>557,613</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	14,463	132,119			146,582
Public Health Services	8,046	3,975			12,021
Leisure Time Activities	10,876				10,876
Community Environment	236			460	696
Transportation	21,534	105,632			127,166
General Government	78,739	8,734			87,473
Debt Service:					
Principal Payments			55,897		55,897
Interest Payments			41,962		41,962
Capital Outlay	28,025	69,039			97,064
Total Cash Disbursements	<u>161,919</u>	<u>319,499</u>	<u>97,859</u>	<u>460</u>	<u>579,737</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,038)</u>	<u>(11,270)</u>	<u>(7,481)</u>	<u>(335)</u>	<u>(22,124)</u>
Other Financing Receipts:					
Proceeds of Notes			2,075		2,075
Proceeds of Loans			13,258		13,258
Total Other Financing Receipts			<u>15,333</u>		<u>15,333</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(3,038)	(11,270)	7,852	(335)	(6,791)
Fund Cash Balances, January 1	<u>156,103</u>	<u>159,209</u>	<u>23,019</u>	<u>686</u>	<u>339,017</u>
Fund Cash Balances, December 31	<u>\$153,065</u>	<u>\$147,939</u>	<u>\$30,871</u>	<u>\$351</u>	<u>\$332,226</u>
Reserves for Encumbrances, December 31	<u>\$1,205</u>	<u>\$620</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,825</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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	\$236,694	\$0	\$236,694
Earnings on Investments		321	321
Total Operating Cash Receipts	<u>236,694</u>	<u>321</u>	<u>237,015</u>
Operating Cash Disbursements:			
Personal Services	84,419		84,419
Travel Transportation	1,660		1,660
Contractual Services	112,708		112,708
Supplies and Materials	20,572		20,572
Capital Outlay	27,604		27,604
Total Operating Cash Disbursements	<u>246,963</u>	<u>0</u>	<u>246,963</u>
Operating Income/(Loss)	<u>(10,269)</u>	<u>321</u>	<u>(9,948)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	2,157		2,157
Earnings on Investments	687		687
Total Non-Operating Cash Receipts	<u>2,844</u>		<u>2,844</u>
Net Receipts Over/(Under) Disbursements	(7,425)	321	(7,104)
Fund Cash Balances, January 1	<u>182,332</u>	<u>27,267</u>	<u>209,599</u>
Fund Cash Balances, December 31	<u>\$174,907</u>	<u>\$27,588</u>	<u>\$202,495</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$101,860	\$176,573	\$37,388	\$0	\$315,821
Intergovernmental	45,669	40,464	2,671		88,804
Charges for Services	5,360	38,711	27,484		71,555
Fines, Licenses, and Permits	838				838
Earnings on Investments	5,956	3,284			9,240
Contributions and Donations	3,007			678	3,685
Miscellaneous	1,721	5,192			6,913
Total Cash Receipts	<u>164,411</u>	<u>264,224</u>	<u>67,543</u>	<u>678</u>	<u>496,856</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	14,719	117,739			132,458
Public Health Services	7,243	4,525			11,768
Leisure Time Activities	9,965				9,965
Community Environment	231				231
Transportation	20,195	115,384			135,579
General Government	79,563	9,800			89,363
Debt Service:					
Principal Payments			54,569		54,569
Interest Payments			15,269		15,269
Capital Outlay	34,277	45,685		526	80,488
Total Cash Disbursements	<u>166,193</u>	<u>293,133</u>	<u>69,838</u>	<u>526</u>	<u>529,690</u>
Total Receipts Over/(Under) Disbursements	<u>(1,782)</u>	<u>(28,909)</u>	<u>(2,295)</u>	<u>152</u>	<u>(32,834)</u>
Other Financing Receipts:					
Proceeds of Notes			5,361		5,361
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(1,782)</u>	<u>(28,909)</u>	<u>3,066</u>	<u>152</u>	<u>(27,473)</u>
Fund Cash Balances, January 1	<u>157,885</u>	<u>188,118</u>	<u>19,953</u>	<u>534</u>	<u>366,490</u>
Fund Cash Balances, December 31	<u>\$156,103</u>	<u>\$159,209</u>	<u>\$23,019</u>	<u>\$686</u>	<u>\$339,017</u>
Reserves for Encumbrances, December 31	<u>\$576</u>	<u>\$710</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,286</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<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	\$195,513	\$0	\$195,513
Earning on Investments		2,294	2,294
Total Operating Cash Receipts	<u>195,513</u>	<u>2,294</u>	<u>197,807</u>
Operating Cash Disbursements:			
Personal Services	82,470		82,470
Travel Transportation	1,453		1,453
Contractual Services	52,243		52,243
Supplies and Materials	21,353		21,353
Capital Outlay	27,820		27,820
Total Operating Cash Disbursements	<u>185,339</u>	<u>0</u>	<u>185,339</u>
Operating Income	<u>10,174</u>	<u>2,294</u>	<u>12,468</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	1,011		1,011
Earnings on Investments	2,304		2,304
Total Non-Operating Cash Receipts	<u>3,315</u>		<u>3,315</u>
Net Receipts Over Disbursements	13,489	2,294	15,783
Fund Cash Balances, January 1	<u>168,843</u>	<u>24,973</u>	<u>193,816</u>
Fund Cash Balances, December 31	<u>\$182,332</u>	<u>\$27,267</u>	<u>\$209,599</u>
Reserves for Encumbrances, December 31	<u>\$345</u>	<u>\$0</u>	<u>\$345</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Baltic, Tuscarawas County, Ohio, (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, water and sewer utilities, park operations, 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 constructing, maintaining and repairing Village streets.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 and 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, 2002 AND 2001
(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 object level of control and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 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 a liability under the Village's basis of accounting.

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2002	2001
Demand deposits	\$416,066	\$394,602
Certificates of deposit	23,693	24,620
Total deposits	439,759	419,222
 STAR Ohio	 94,962	 129,394
Total deposits and investments	\$534,721	\$548,616

Deposits: Deposits are either (1) 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 ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,781	\$158,881	\$4,100
Special Revenue	291,272	308,229	16,957
Debt Service	99,622	105,711	6,089
Enterprise	204,700	239,538	34,838
Fiduciary	2,000	446	(1,554)
Total	\$752,375	\$812,805	\$60,430

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$310,815	\$163,124	\$147,691
Special Revenue	434,258	320,119	114,139
Debt Service	103,344	97,859	5,485
Enterprise	386,975	246,963	140,012
Fiduciary	29,952	460	29,492
Total	<u>\$1,265,344</u>	<u>\$828,525</u>	<u>\$436,819</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$159,000	\$164,411	\$5,411
Special Revenue	258,725	264,224	5,499
Debt Service	68,600	72,904	4,304
Enterprise	198,560	198,828	268
Fiduciary	0	2,972	2,972
Total	<u>\$684,885</u>	<u>\$703,339</u>	<u>\$18,454</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$316,885	\$166,769	\$150,116
Special Revenue	446,843	293,843	153,000
Debt Service	87,453	69,838	17,615
Enterprise	367,403	185,684	181,719
Fiduciary	25,906	526	25,380
Total	<u>\$1,244,490</u>	<u>\$716,660</u>	<u>\$527,830</u>

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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, the 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 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Promissory Note	\$191,050	5.30%
Ohio Public Works Commission Loan (OPWC)	24,015	0.00
Waste Water Treatment Plant Revenue	<u>42,011</u>	5.38
Total	<u><u>\$257,076</u></u>	

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

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. Waste Water Treatment Plant Revenue Anticipation Notes were issued to provide waste water treatment plant improvements. Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Fire Truck Promissory Note	Ohio Public Works Commission Loan (OPWC)	Waste Water Treatment Plant Revenue
2003	\$29,927	\$2,528	\$25,020
2004	29,927	2,528	25,020
2005	29,927	2,528	0
2006	29,927	2,528	0
2007	29,927	2,528	0
Subsequent	<u>89,781</u>	<u>11,375</u>	<u>0</u>
Total	<u>\$239,416</u>	<u>\$24,015</u>	<u>\$50,040</u>

The Tri-County Improvement Corporation notes which were issued to promote business development within the Village were retired in 2002.

7. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The contribution rate is also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002.

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

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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. During 2002 and 2001, the Village contributed \$6,400 and \$5,600, respectively, to the District.

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 8 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.



**Auditor of State
Betty Montgomery**

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

Village of Baltic
Tuscarawas County
102 W. Main Street
PO Box 320
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, 2002 and 2001, and have issued our report thereon dated March 12, 2003. We conducted our audits 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.

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 could 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated March 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 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 do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 12, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 12, 2003

**VILLAGE OF BALTIC
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31279-001	ORC 5705.41(D) – During 2000 and 1999, 18% of the expenditures tested were not certified by the Clerk-Treasurer prior to incurring the commitment.	No	Partially corrected. Reported in Management Letter as only 8% of expenditures tested during 2002 and 2001 were not certified prior to incurring the commitment.



**Auditor of State
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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
APRIL 10, 2003**