



**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2004**



**Auditor of State  
Betty Montgomery**



VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Baltimore  
Fairfield County  
103 W. Market Street  
Baltimore, Ohio 43105

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 31, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Baltimore  
Fairfield County  
103 W. Market Street  
Baltimore, Ohio 43105

To the Village Council:

We have audited the accompanying financial statements of the Village of Baltimore, Fairfield County, Ohio (the Village), as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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, 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 requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State 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 two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Baltimore, Fairfield County, Ohio as of December 31, 2004 and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 August 31, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 31, 2006



**VILLAGE OF BALTIMORE  
FAIRFIELD 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<br>Fund Type | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|-------------------------|-----------------------|-------------------------|------------------------|--------------------------------|
|  | General                 | Special<br>Revenue      | Debt<br>Service       | Capital<br>Projects     | Expendable<br>Trust    |                                |
| <b>Cash Receipts:</b>  |                         |                         |                       |                         |                        |                                |
| Property and Other Local Taxes   | \$74,802                | \$22,581                | \$0                   | \$0                     | \$0                    | \$97,383                       |
| Municipal Income Tax   | 263,389                 | 158,034                 | 0                     | 0                       | 0                      | 421,423                        |
| Intergovernmental Receipts   | 70,852                  | 117,232                 | 0                     | 0                       | 0                      | 188,084                        |
| Charges for Services   | 8,425                   | 0                       | 0                     | 0                       | 0                      | 8,425                          |
| Fines, Licenses, and Permits   | 26,839                  | 105                     | 0                     | 0                       | 0                      | 26,944                         |
| Earnings on Investments  | 12,731                  | 1,111                   | 0                     | 0                       | 0                      | 13,842                         |
| Miscellaneous  | 7,624                   | 3,457                   | 0                     | 0                       | 0                      | 11,081                         |
| Total Cash Receipts  | <u>464,662</u>          | <u>302,520</u>          | <u>0</u>              | <u>0</u>                | <u>0</u>               | <u>767,182</u>                 |
| <b>Cash Disbursements:</b>   |                         |                         |                       |                         |                        |                                |
| Current:   |                         |                         |                       |                         |                        |                                |
| Security of Persons and Property   | 167,689                 | 0                       | 0                     | 0                       | 0                      | 167,689                        |
| Public Health Services   | 18,005                  | 0                       | 0                     | 0                       | 0                      | 18,005                         |
| Leisure Time Activities  | 33,077                  | 0                       | 0                     | 0                       | 0                      | 33,077                         |
| Community Environment  | 35,501                  | 0                       | 0                     | 0                       | 0                      | 35,501                         |
| Transportation   |                         | 229,953                 | 0                     | 0                       | 0                      | 229,953                        |
| General Government   | 175,585                 | 13,611                  | 0                     | 0                       | 0                      | 189,196                        |
| Debt Service:  |                         |                         |                       |                         |                        |                                |
| Principal Payments   | 0                       | 9,640                   | 0                     | 0                       | 0                      | 9,640                          |
| Interest Payments  | 0                       | 0                       | 0                     | 3,475                   | 0                      | 3,475                          |
| Capital Outlay   | 60,814                  | 79,722                  | 0                     | 16,216                  | 0                      | 156,752                        |
| Total Cash Disbursements   | <u>490,671</u>          | <u>332,926</u>          | <u>0</u>              | <u>19,691</u>           | <u>0</u>               | <u>843,288</u>                 |
| Total Receipts Over/(Under) Disbursements  | <u>(26,009)</u>         | <u>(30,406)</u>         | <u>0</u>              | <u>(19,691)</u>         | <u>0</u>               | <u>(76,106)</u>                |
| <b>Other Financing Receipts and (Disbursements):</b>   |                         |                         |                       |                         |                        |                                |
| Inception of Capital Lease   | 0                       | 44,358                  | 0                     | 0                       | 0                      | 44,358                         |
| Transfers-Out  | (153,000)               | 0                       | 0                     | 0                       | 0                      | (153,000)                      |
| Total Other Financing Receipts/(Disbursements)   | <u>(153,000)</u>        | <u>44,358</u>           | <u>0</u>              | <u>0</u>                | <u>0</u>               | <u>(108,642)</u>               |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (179,009)               | 13,952                  | 0                     | (19,691)                | 0                      | (184,748)                      |
| Fund Cash Balances, January 1 (Restated - See Note 2)  | 364,407                 | 206,529                 | 2,175                 | 128,233                 | 2,370                  | 703,714                        |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$185,398</u></b> | <b><u>\$220,481</u></b> | <b><u>\$2,175</u></b> | <b><u>\$108,542</u></b> | <b><u>\$2,370</u></b>  | <b><u>\$518,966</u></b>        |
| Reserves for Encumbrances, December 31   | <u>\$7,401</u>          | <u>\$14,349</u>         | <u>\$0</u>            | <u>\$0</u>              | <u>\$0</u>             | <u>\$21,750</u>                |

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

**VILLAGE OF BALTIMORE  
FAIRFIELD 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**

|  | Proprietary<br>Fund Type | Fiduciary<br>Fund Types |                   | Totals<br>(Memorandum<br>Only) |
|--|--------------------------|-------------------------|-------------------|--------------------------------|
|  | Enterprise               | Nonexpendable<br>Trust  | Agency            |                                |
| <b>Operating Cash Receipts:</b>  |                          |                         |                   |                                |
| Charges for Services   | \$811,747                | \$0                     | \$0               | \$811,747                      |
| Total Operating Cash Receipts  | <u>811,747</u>           | <u>0</u>                | <u>0</u>          | <u>811,747</u>                 |
| <b>Operating Cash Disbursements:</b>   |                          |                         |                   |                                |
| Personal Services  | 311,809                  | 0                       | 0                 | 311,809                        |
| Fringe Benefits  | 545                      | 0                       | 0                 | 545                            |
| Contractual Services   | 173,335                  | 0                       | 0                 | 173,335                        |
| Supplies and Materials   | 154,783                  | 0                       | 0                 | 154,783                        |
| Capital Outlay   | 53,454                   | 0                       | 0                 | 53,454                         |
| Total Operating Cash Disbursements   | <u>693,926</u>           | <u>0</u>                | <u>0</u>          | <u>693,926</u>                 |
| Operating Income   | <u>117,821</u>           | <u>0</u>                | <u>0</u>          | <u>117,821</u>                 |
| <b>Non-Operating Cash Receipts:</b>  |                          |                         |                   |                                |
| Proceeds from Notes  | 700,000                  | 0                       | 0                 | 700,000                        |
| Other Non-Operating Receipts   | 44,392                   | 670                     | 1,346             | 46,408                         |
| Total Non-Operating Cash Receipts  | <u>744,392</u>           | <u>670</u>              | <u>1,346</u>      | <u>746,408</u>                 |
| <b>Non-Operating Cash Disbursements:</b>   |                          |                         |                   |                                |
| Debt Service:  |                          |                         |                   |                                |
| Principal Payments   | 1,020,000                | 0                       | 0                 | 1,020,000                      |
| Interest Payments  | 10,667                   | 0                       | 0                 | 10,667                         |
| Other Non-Operating Cash Disbursements   | 5,520                    | 0                       | 1,688             | 7,208                          |
| Total Non-Operating Cash Disbursements   | <u>1,036,187</u>         | <u>0</u>                | <u>1,688</u>      | <u>1,037,875</u>               |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | (173,974)                | 670                     | (342)             | (173,646)                      |
| Transfers-In   | <u>153,000</u>           | <u>0</u>                | <u>0</u>          | <u>153,000</u>                 |
| Net Receipts Over/(Under) Disbursements  | (20,974)                 | 670                     | (342)             | (20,646)                       |
| Fund Cash Balances, January 1  | <u>776,349</u>           | <u>24,579</u>           | <u>342</u>        | <u>801,270</u>                 |
| <b>Fund Cash Balances, December 31</b>   | <b><u>\$755,375</u></b>  | <b><u>\$25,249</u></b>  | <b><u>\$0</u></b> | <b><u>\$780,624</u></b>        |
| Reserve for Encumbrances, December 31  | <u>\$78,191</u>          | <u>\$0</u>              | <u>\$0</u>        | <u>\$78,191</u>                |

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

**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

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

**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:

**General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund**

These funds 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 Fund:

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

**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

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

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

**D. Fund Accounting (Continued)**

**Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt.

**Capital Project Funds**

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

Reserve Fund - This fund receives proceeds from the General Fund. The accumulated resources will be used for the following: 1) Purchase a truck, tractor, and backhoe for the Street Department, 2) Purchase a police cruiser for the Police Department, 3) Basil Street culvert replacement and related storm sewer improvements, and 4) Village Town Hall renovations.

**Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**Fiduciary Fund (Trust Fund)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Basil Cemetery Fund (Non-Expendable Trust) - This fund earns interest from bequests to be used for the care and upkeep of the cemetery.

Mayor's Court (Agency) - This fund is used to account for the receipts and disbursements of the mayor's court.

**E. Budgetary Process**

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

**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

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

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

**E. Budgetary Process (Continued)**

**Appropriations**

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

**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.

**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 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

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

**2. ACCOUNTING CHANGE**

Income tax receipts were improperly reported in the Income Tax Special Revenue Fund. This activity should have been allocated to the General and the Street Construction Funds per Ordinance 96-31.

**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

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

**2. ACCOUNTING CHANGE (Continued)**

Properly reporting this activity had the following effect on cash fund balances on January 1, 2004:

|   | General<br>Fund | Special<br>Revenue<br>Funds |
|---|-----------------|-----------------------------|
| Cash fund balance as of December 31, 2003,<br>as previously reported    | \$339,118       | \$231,818                   |
| Restatement to properly report income tax receipts and<br>disbursements | 25,289          | (25,289)                    |
| Restated cash fund balance as of January 1, 2004                        | \$364,407       | \$206,529                   |

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

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

|                                |             |
|--------------------------------|-------------|
| Demand Deposits                | \$598,818   |
| Total Deposits                 | 598,818     |
| STAR Ohio                      | 700,772     |
| Total Investments              | 700,772     |
| Total Deposits and Investments | \$1,299,590 |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2004 follows:

| Fund Type           | Budgeted vs. Actual Receipts |                    |            |
|---------------------|------------------------------|--------------------|------------|
|                     | Budgeted<br>Receipts         | Actual<br>Receipts | Variance   |
| General             | \$481,514                    | \$464,662          | (\$16,852) |
| Special Revenue     | 281,959                      | 346,878            | 64,919     |
| Capital Projects    | 137,000                      | 0                  | (137,000)  |
| Enterprise          | 1,664,997                    | 1,709,139          | 44,142     |
| Nonexpendable Trust | 100                          | 670                | 570        |
| Total               | \$2,565,570                  | \$2,521,349        | (\$44,221) |

**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

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

**4. BUDGETARY ACTIVITY (Continued)**

| Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|--|----------------------------|---------------------------|-----------|
| Fund Type  | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General  | \$801,581                  | \$651,072                 | \$150,509 |
| Special Revenue                                  | 565,535                    | 347,275                   | 218,260   |
| Debt Service                                     | 2,175                      | 0                         | 2,175     |
| Capital Projects                                 | 265,233                    | 19,691                    | 245,542   |
| Enterprise                                       | 1,963,500                  | 1,808,304                 | 155,196   |
| Nonexpendable Trust                              | 7,700                      | 0                         | 7,700     |
| Total  | \$3,605,724                | \$2,826,342               | \$779,382 |

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**6. 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. Income tax proceeds are allocated 62.5% to the General Fund and 37.5% to the Street Construction Fund.

**7. DEBT**

Debt outstanding at December 31, 2004 was as follows:

|                                       | Principal | Interest Rate |
|---------------------------------------|-----------|---------------|
| Sanitary Sewer Bond Anticipation Note | \$700,000 | 2.47%         |
| Tractor Lease                         | 34,718    | 4.25%         |
| Total                                 | \$734,718 |               |

**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

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

**7. DEBT (Continued)**

*Sanitary Sewer Bond Anticipation Note:* This note relates to the repair and upgrade of the sanitary sewer system within the Village. The Village anticipates issuing bonds to pay the debt for the sanitary sewer project in the long term. The note will mature August 2, 2005.

In addition to the debt described above, the Village entered into a lease in the amount of \$44,358 for the purchase of two John Deere tractors. The Village will repay the lease in annual installments of \$9,640, including interest, over 5 years. The first payment was made during 2004.

Future minimum payments for the lease through 2008 are as follows:

| Year ending December 31: | Principal       | Interest       | Total           |
|--------------------------|-----------------|----------------|-----------------|
| 2005                     | \$8,134         | \$1,506        | \$9,640         |
| 2006                     | 8,488           | 1,152          | 9,640           |
| 2007                     | 8,856           | 784            | 9,640           |
| 2008                     | 9,240           | 400            | 9,640           |
| Total                    | <u>\$34,718</u> | <u>\$3,842</u> | <u>\$38,560</u> |

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**9. 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 BALTIMORE  
FAIRFIELD COUNTY**

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

**9. RISK MANAGEMENT (Continued)**

The Village also provides health, dental, and vision insurance benefits to full-time employees through a private carrier.

**10. JOINTLY GOVERNED ORGANIZATIONS**

*Fairfield Regional Planning Commission:* The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. There is no ongoing financial responsibility by the Village.

*Basil Joint Fire District:* The Fire District provides fire protection and rescue services to Village and Liberty Township residents. The Village appoints a member of Council on the Fire District's five-member Board of Trustees. There is no ongoing financial responsibility by the Village.

**11. CONTINGENT LIABILITIES**

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

**12. MAYOR'S COURT**

The Village operated a Mayor's Court to account for the receipts from citations given by the police department. The activity of the Mayor's Court is reported as an Agency Fund on the financial statements. Disbursements represent court collections paid to various state and local agencies. The Village terminated the Mayor's Court effective June 21, 2004.

**13. SUBSEQUENT EVENTS**

On June 16, 2005, the Village issued \$1,536,000 in Wastewater Treatment System Improvement Bond Anticipation Notes for the Wastewater Treatment Plant Project, which will mature on June 16, 2006.

On August 2, 2005, the Village issued \$500,000 in Wastewater Treatment System Improvement Bond Anticipation Notes for the Wastewater Treatment Plant Project, which will mature on June 16, 2006.

On November 3, 2005, the Village issued \$550,000 in Wastewater Treatment System Improvement Bond Anticipation Notes for the Wastewater Treatment Plant Project, which will mature on June 16, 2006.

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## Auditor of State Betty Montgomery

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

Village of Baltimore  
Fairfield County  
103 W. Market Street  
Baltimore, Ohio 43105

To the Village Council:

We have audited the financial statements of the Village of Baltimore, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated August 31, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 31, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated August 31, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the Finance Committee, management, and Council. It is not intended for 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

August 31, 2006

VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

**Finding for Recovery Repaid Under Audit**

Ordinance 2003-44, the Village's "Pay Plan", established the Fiscal Officer's salary for the year ended December 31, 2004 at \$16,000. During 2004, the Village Fiscal Officer was compensated \$16,372.98 resulting in an overpayment of \$372.98

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Florence D. Welker, Village Fiscal Officer, and The Western Surety Company, her bonding company, jointly and severally, in the amount of \$372.98 and in favor of the Village's General Fund.

On October 6, 2006, Ms. Welker repaid the \$372.98 to the Village's General Fund.

*Officials' Response:* This overpayment occurred because the number of pay periods for 2004 was increased by one due to the date of payment of the payroll. At that time other employees were on a bi-weekly pay plan, but the Clerk-Treasurer was not. The elected Clerk-Treasurer position has since been changed to an appointed Fiscal Officer position, and the pay plan has been changed to a bi-weekly salary matching other employees.

**VILLAGE OF BALTIMORE  
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2003-001       | Revised Code 733.40 for failure to remit fines, forfeitures, and costs to the Village treasury. | Yes              | No longer valid. Mayor's Court was discontinued on June 22, 2004.  |
| 2003-002       | To establish written internal control procedures to be performed by the Court Clerk.            | Yes              | No longer valid. Mayor's Court was discontinued on June 22, 2004.  |



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF BALTIMORE**

**FAIRFIELD 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  
NOVEMBER 9, 2006**