

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010



Dave Yost • Auditor of State

Village Council
Village North Baltimore
205 North Main Street
North Baltimore, Ohio 45872

We have reviewed the *Independent Auditor's Report* of the Village North Baltimore, Wood County, prepared by E.S. Evans and Company, for the audit period January 1, 2010 to December 31, 2011. 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 Auditor's 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 Auditor's 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 North Baltimore is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 11, 2012

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VILLAGE OF NORTH BALTIMORE
WOOD COUNTY

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E.S. Evans and Company

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August 31, 2012

INDEPENDENT AUDITOR'S REPORT

Village of North Baltimore
Wood County, Ohio

We have audited the accompanying financial statements of Village of North Baltimore, Wood County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of North Baltimore, Wood County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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, 2012, 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* but not a required part of the financial statements. The Schedule provides additional information, is management's responsibility, and was derived from and relate directly to the underlying accounting records and other records used to prepare the financial statements. This Schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$150,207	\$0	\$0	\$0	\$150,207
Municipal Income Tax	667,909	0	0	0	667,909
Intergovernmental	58,126	282,359	0	0	340,485
Special Assessments	0	118,284	0	0	118,284
Charges for Services	85,526	2,685	0	0	88,211
Fines, Licenses and Permits	59,974	1,206	0	0	61,180
Earnings on Investments	17,760	75	0	0	17,835
Gifts and Donations	0	63,571	0	0	63,571
Miscellaneous	4,746	19,452	0	0	24,198
Total Cash Receipts	1,044,248	487,632	0	0	1,531,880
Cash Disbursements:					
Current:					
Security of Persons and Property	472,482	0	0	0	472,482
Public Health Services	26,644	115,324	0	0	141,968
Leisure Time Activities	0	23,420	0	0	23,420
Community Environment	672	9,304	0	0	9,976
Basic Utility Service	0	31,831	0	0	31,831
Transportation	0	270,994	0	0	270,994
General Government	368,378	0	0	0	368,378
Debt Service:					
Redemption of Principal	0	25,119	0	0	25,119
Interest and Fiscal Charges	0	1,987	0	0	1,987
Capital Outlay	30,576	237,313	0	0	267,889
Total Cash Disbursements	898,752	715,292	0	0	1,614,044
Total Receipts Over/(Under) Disbursements	145,496	(227,660)	0	0	(82,164)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	0	0	0
Sale of Notes	0	0	0	0	0
Other Debt Proceeds	0	0	0	0	0
Transfers-In	0	423,310	0	0	423,310
Transfers-Out	(226,660)	0	0	0	(226,660)
Other Financing Sources	0	0	0	0	0
Other Financing Uses	(7,958)	0	0	0	(7,958)
Total Other Financing Receipts / (Disbursements)	(234,618)	423,310	0	0	188,692
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(89,122)	195,650	0	0	106,528
Fund Cash Balances, January 1	1,385,455	831,153	25,416	5,835	2,247,859
Fund Cash Balances, December 31:					
Restricted	0	785,568	25,416	5,835	816,819
Committed	0	239,973	0	0	239,973
Assigned	39,568	1,262	0	0	40,830
Unassigned	1,256,765	0	0	0	1,256,765
	\$1,296,333	\$1,026,803	\$25,416	\$5,835	\$2,354,387
Reserve for Encumbrances, December 31	\$39,568	\$83,322	\$0	\$0	\$122,890

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

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,726,619	\$0	\$1,726,619
Miscellaneous	35,343	0	\$35,343
Total Operating Cash Receipts	<u>1,761,962</u>	<u>0</u>	<u>\$1,761,962</u>
Operating Cash Disbursements:			
Personal Services	498,968	0	\$498,968
Contractual Services	283,755	0	\$283,755
Supplies and Materials	215,551	0	\$215,551
Other	25	0	\$25
Total Operating Cash Disbursements	<u>998,299</u>	<u>0</u>	<u>\$998,299</u>
Operating Income/(Loss)	<u>763,663</u>	<u>0</u>	<u>\$763,663</u>
Non-Operating Cash Receipts:			
Intergovernmental	1,416,852	0	\$1,416,852
Sale of Bonds	0	0	\$0
Sale of Notes	4,337,128	0	\$4,337,128
Other Debt Proceeds	0	0	\$0
Miscellaneous Receipts	1,918	0	\$1,918
Other Non-Operating Cash Receipts	0	7,085	\$7,085
Total Non-Operating Cash Receipts	<u>5,755,898</u>	<u>7,085</u>	<u>\$5,762,983</u>
Non-Operating Cash Disbursements:			
Capital Outlay	5,520,813	0	\$5,520,813
Redemption of Principal	811,181	0	\$811,181
Interest and Other Fiscal Charges	118,332	0	\$118,332
Other Non-Operating Cash Disbursements	6,390	5,414	\$11,804
Total Non-Operating Cash Disbursements	<u>6,456,716</u>	<u>5,414</u>	<u>\$6,462,130</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	62,845	1,671	\$64,516
Transfers-In	0	0	\$0
Transfers-Out	(196,650)	0	(196,650)
Net Receipts Over/(Under) Disbursements	(133,805)	1,671	(132,134)
Fund Cash Balances, January 1	<u>2,794,856</u>	<u>0</u>	<u>\$2,794,856</u>
Fund Cash Balances, December 31	<u>\$2,661,051</u>	<u>\$1,671</u>	<u>\$2,662,722</u>
Reserve for Encumbrances, December 31	<u>\$383,380</u>	<u>\$0</u>	<u>\$383,380</u>

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

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$197,515	\$0	\$0	\$0	\$197,515
Municipal Income Tax	600,833	0	0	0	600,833
Intergovernmental	173,235	280,744	0	0	453,979
Special Assessments	0	120,017	0	0	120,017
Charges for Services	107,004	2,635	0	0	109,639
Fines, Licenses and Permits	48,175	1,185	0	0	49,360
Earnings on Investments	36,523	21	0	0	36,544
Miscellaneous	20,436	1,347	0	0	21,783
Total Cash Receipts	1,183,721	405,949	0	0	1,589,670
Cash Disbursements:					
Current:					
Security of Persons and Property	480,287	821	0	0	481,108
Public Health Services	16,270	0	0	0	16,270
Leisure Time Activities	0	18,406	0	0	18,406
Community Environment	180	14,186	0	0	14,366
Basic Utility Service	0	3,361	0	0	3,361
Transportation	0	323,808	0	0	323,808
General Government	336,520	0	0	0	336,520
Debt Service:					
Redemption of Principal	0	24,034	0	0	24,034
Interest and Fiscal Charges	0	3,072	0	0	3,072
Capital Outlay	25,905	73,918	0	0	99,823
Total Cash Disbursements	859,162	461,606	0	0	1,320,768
Total Receipts Over/(Under) Disbursements	324,559	(55,657)	0	0	268,902
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	0	0	0
Sale of Notes	0	0	0	0	0
Other Debt Proceeds	0	0	0	0	0
Transfers-In	0	95,000	0	0	95,000
Transfers-Out	(95,000)	0	0	0	(95,000)
Advances-In	0	0	0	0	0
Advances-Out	0	0	0	0	0
Other Financing Sources	0	0	0	0	0
Other Financing Uses	(28,688)	0	0	0	(28,688)
Total Other Financing Receipts / (Disbursements)	(123,688)	95,000	0	0	(28,688)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	200,871	39,343	0	0	240,214
Fund Cash Balances, January 1	1,184,584	791,810	25,416	5,835	2,007,645
Fund Cash Balances, December 31	\$1,385,455	\$831,153	\$25,416	\$5,835	\$2,247,859
Reserve for Encumbrances, December 31	\$32,779	\$4,349	\$0	\$0	\$37,128

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

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,536,664	\$0	\$1,536,664
Miscellaneous	36,486	0	\$36,486
Total Operating Cash Receipts	<u>1,573,150</u>	<u>0</u>	<u>\$1,573,150</u>
Operating Cash Disbursements:			
Personal Services	470,497	0	\$470,497
Contractual Services	290,487	0	\$290,487
Supplies and Materials	185,953	0	\$185,953
Other	86	0	\$86
Total Operating Cash Disbursements	<u>947,023</u>	<u>0</u>	<u>\$947,023</u>
Operating Income/(Loss)	<u>626,127</u>	<u>0</u>	<u>\$626,127</u>
Non-Operating Cash Receipts:			
Intergovernmental	70,012	0	\$70,012
Sale of Bonds	0	0	\$0
Sale of Notes	522,909	0	\$522,909
Other Debt Proceeds	0	0	\$0
Miscellaneous Receipts	935	0	\$935
Other Non-Operating Cash Receipts	0	36,634	\$36,634
Total Non-Operating Cash Receipts	<u>593,856</u>	<u>36,634</u>	<u>\$630,490</u>
Non-Operating Cash Disbursements:			
Capital Outlay	697,861	0	\$697,861
Redemption of Principal	404,289	0	\$404,289
Interest and Other Fiscal Charges	139,034	0	\$139,034
Other Non-Operating Cash Disbursements	596	44,082	\$44,678
Total Non-Operating Cash Disbursements	<u>1,241,780</u>	<u>44,082</u>	<u>\$1,285,862</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(21,797)	(7,448)	(\$29,245)
Transfers-In	0	0	\$0
Transfers-Out	0	0	\$0
Net Receipts Over/(Under) Disbursements	(21,797)	(7,448)	(\$29,245)
Fund Cash Balances, January 1	<u>2,816,653</u>	<u>7,448</u>	<u>\$2,824,101</u>
Fund Cash Balances, December 31	<u>\$2,794,856</u>	<u>\$0</u>	<u>\$2,794,856</u>
Reserve for Encumbrances, December 31	<u>\$5,003,573</u>	<u>\$0</u>	<u>\$5,003,573</u>

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

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 North Baltimore, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire and EMS department.

The Village participates in a joint venture and a public entity risk pool. Notes 9 and 12 to the financial statements provides additional information for these entities. These organizations are:

Joint Venture -- Henry Township–Village of North Baltimore Joint Economic Development District:

On October 14, 2008, the Village of North Baltimore approved the formation of this JEDD with Henry Township in Wood County. The parties have entered into a contract to create and provide for the operation of the JEDD in accordance with Sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of this JEDD is to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Wood County, Village of North Baltimore, and Henry Township.

Public Entity Risk Pool – Public Entities Pool of Ohio (PEP):

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies – (continued)

C. Deposits and Investments

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

The Village values U.S. Treasury notes, common stock, and money market mutual funds (including STAR Ohio) are recorded at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

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

Permissive Motor Vehicle License Fund – This fund receives permissive motor vehicle license fees in order to improve Village streets.

Street Paving and Reconstruction Fund – This fund receives property, rollback and homestead tax levy funds in order to pave and reconstruct Village streets.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

EMS Equipment Debt Fund – This fund receives property, rollback and homestead taxes and is used to retire the debt on the purchase of EMS Equipment.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds).

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies – (continued)

D. Fund Accounting – (continued)

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

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

Wastewater Capital Improvement Reserve Fund - This fund receives Federal and State grants and loans and accounts for the related expenses in regards to the sanitary sewer project.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the JEDD income tax entirely collected by the Village.

E. Budgetary Process

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

1. Appropriations

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. Summary of Significant Accounting Policies – (continued)

E. Budgetary Process – (continued)

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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments for material items that should have been encumbered.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2011, the fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable – The Village classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Commissioners can commit amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies – (continued)

F. Fund Balance – (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village adopted Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$2,299,060	\$2,247,236
Certificates of deposit	239,151	331,298
Total deposits	2,538,211	2,578,534
U.S. Treasury Notes	2,478,898	2,464,181
Total investments	2,478,898	2,464,181
Total deposits and investments	\$5,017,109	\$5,042,715

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

3. Equity in Pooled Deposits and Investments

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments: During 2011 and 2010, the Village invested in various U.S. Treasury Notes and these are recorded at cost and held by Charles Schwab and SJS Investments at December 31, 2011 and 2010.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,376,090	\$1,044,248	(\$1,331,842)
Special Revenue	1,812,458	910,942	(901,516)
Debt Service	5,835	0	(5,835)
Capital Projects	25,416	0	(25,416)
Enterprise	5,086,249	7,827,849	2,741,600
Total	\$9,306,048	\$9,783,039	\$476,991

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,367,649	\$1,172,938	\$194,711
Special Revenue	1,198,551	798,614	399,937
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	12,944,152	8,345,034	4,599,118
Total	\$15,510,352	\$10,316,586	\$5,193,766

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. Budgetary Activity – (continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,068,767	\$1,223,543	(\$845,224)
Special Revenue	1,258,746	549,082	(709,664)
Debt Service	5,835	0	(5,835)
Capital Projects	25,416	0	(25,416)
Enterprise	3,900,431	2,483,471	(1,416,960)
Total	\$7,259,195	\$4,256,096	(\$3,003,099)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,122,946	\$1,015,628	\$107,318
Special Revenue	666,623	513,956	152,667
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	2,864,973	7,493,142	(4,628,169)
Total	\$4,654,542	\$9,022,726	(\$4,368,184)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2010 by \$12 in the Water Capital Improvement Reserve Fund and by \$5,122,518 in the Wastewater Capital Improvement Reserve Fund. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2011 by \$43,416 in the Wastewater Utility Operating Fund and by \$289,694 in the First Mortgage Debt Service Fund. Contrary to Ohio law, appropriations exceeded actual receipts plus unencumbered cash balances at December 31, 2011 by \$4,532,326 in the Wastewater Capital Improvement Reserve Fund. Contrary to Ohio law, appropriations exceeded total estimated resources by \$4,829,850 in the Wastewater Capital Improvement Reserve Fund at December 31, 2011

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

6. Local Income Tax

The Village levies a municipal income tax of one 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. The Village has a contract with City of Cleveland – Central Collection Agency to collect income tax on behalf of the Village.

7. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$790,000	4.51%
Note - Ambulance	\$24,490	4.55%
Ohio Water Development Authority Loan - #1798	\$216,093	8.35%
Ohio Water Development Authority Loan - #3330	\$101,255	6.39%
Ohio Water Development Authority Loan - #2834	\$1,023,994	2.00%
Ohio Water Development Authority Loan - #3380	\$1,224,661	2.00%
Ohio Water Development Authority Loan - #3921	\$207,667	2.00%
Ohio Water Development Authority Loan - #5663	\$4,413,992	1.28%
Ohio Water Development Authority Loan - #5188	\$376,810	4.76%
Ohio Public Works Commission Loan - CE32B	\$39,246	0.00%
Total	<u>\$8,418,208</u>	

The Village has one outstanding general obligation bond issue at December 31, 2011. It is backed by the full faith and credit of the Village of North Baltimore and will be paid from the enterprise fund through user fees. Semi-annual payments are due on this obligation.

The Village also has a bank loan which was used to finance an ambulance purchase. It is being paid in semi-annual payments from property tax revenues collected for the purpose of EMS services.

The village also has seven loans from the Ohio Water Development Authority with interest rates ranging from 1.28% to 8.35%. These loans were obtained to make improvements to the Village water and wastewater systems. Semi-annual payments are due on each loan including interest.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

7. Debt – (continued)

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

Note – OWDA loan #5663 and OWDA loan #5188 are still being drawn upon. The total available principal for #5663 is \$4,460,521 and for #5188 is \$620,599. Amortization schedules have not been prepared until the loans are finalized. It is expected that both loans will be repaid at the above applicable interest rates over a 20 year term.

Year Ending December 31	OPWC Loan	OWDA Loans	General Obligation Bonds	Bank Note	Total
2012	\$4,361	\$410,366	\$85,825	\$27,106	\$527,658
2013	4,361	410,366	83,888	0	\$498,615
2014	4,361	360,528	81,888	0	\$446,777
2015	4,361	310,690	84,825	0	\$399,876
2016	4,361	310,690	87,075	0	\$402,126
2017-2021	17,441	1,250,443	322,695	0	\$1,590,579
2022-2026	0	39,103	292,542	0	\$331,645
2027-2031	0	0	57,530	0	\$57,530
Total	<u>\$39,246</u>	<u>\$3,092,186</u>	<u>\$1,096,268</u>	<u>\$27,106</u>	<u>\$4,254,806</u>

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

9. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers Compensation.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

9. Risk Management – (continued)

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(\$14,187,273)	(\$14,320,812)
Retained Earnings	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

Based on discussions with PEP, the expected rated PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

9. Risk Management – (continued)

The Village of North Baltimore paid \$34,410 to PEP in 2010 and \$38,063 in 2011. After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to withdrawal.

10. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

11. Related Party Transactions

A Village Council member's brother is the Utility Superintendent for the Village. Their father provides sanitation services for the Village and has for over the past 40 years. The Village paid \$14,443 and \$15,915 for 2011 and 2010, respectively for these sanitation services.

12. Joint Ventures

The Henry Township–Village of North Baltimore Joint Economic Development District (JEDD) – The Henry Township-Village of North Baltimore Joint Economic Development District was entered into on October 14, 2008, in accordance with Sections 715.72 through 715.83 of the Ohio Revised Code for their mutual benefit and the benefit of their residents. The JEDD was created to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Wood County, Village of North Baltimore, and Henry Township. The Township and the Village each agreed to contribute to the development and operation of the District. The initial term of this Contract began on the commencement of construction of the Evansville Western Railway, Inc. Northwest Ohio Trans-Shipments Terminal and shall terminate upon completion of the Terminal within the District. A five member appointed Board of Directors shall govern the District. The Board shall adopt by-laws for the regulation of the affairs and the conduct of business.

The JEDD Board adopted a resolution to levy an income tax in the District at a rate of 1 percent. The Village will collect the tax through its' agreement with CCA and remit 20% of the receipts to the District, 50% to the Township, and retain 30% as the Village's share.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

13. Subsequent Events

The Village has completed Phase I of the separation of the Village's Combined Sewer System. Total project costs were \$7,400,000. Loans were obtained by the Ohio Water Development Authority and the United States Development Authority (USDA/RD).

Phase II of the separation of the Village's combined sewer system is anticipated to begin in December 2012. Total project costs are estimated at \$10,200,000 with grants and loans being sought from OWDA and USDA.

Council anticipates the purchase of a new fire pumper truck estimated at a cost of \$480,000. A 1-mil levy will be voted upon in November 2012. An agreement with Henry Township is being developed on order to outline a pro-rate cost sharing in the truck purchase as well as cost sharing of operational expenses of the Village Fire Department.

14. Accountability and Compliance

Contrary to the Ohio Administrative Code, the Village did not properly complete a cash-basis financial statement for the years ending December 31, 2011 and 2010. In addition, contrary to Ohio Revised Code 5705.41(D), purchase orders were not always properly completed and utilized.

**VILLAGE OF NORTH BALTIMORE
WOOD COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass-Through Grantor/ <u>Program Titles</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. Department of Agriculture</u> ARRA -Water and Waste Disposal System for Rural Communities	n/a	10.781	\$ 4,898,812	\$ 4,898,812
<u>Environmental Protection Agency</u> Congressionally Mandated Projects	n/a	66.202	288,700	253,894
Total Federal Financial Assistance			<u>\$ 5,187,512</u>	<u>\$ 5,152,706</u>

Note A - Significant Accounting Policies

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Village of North Baltimore's (the Village's) federal award programs' receipts and disbursements.

The Schedule has been prepared on the cash basis of accounting.

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Steven D. Hooker, CPA • John E. Klay, CPA

August 31, 2012

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

Village of North Baltimore
Wood County, Ohio

We have audited the financial statements of Village of North Baltimore, Wood County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 31, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001, 2011-002, 2011-003, 2011-004, and 2011-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001, 2011-002, 2011-004, and 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 31, 2012.

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

We intend this report solely for the information and use of management, the Village of North Baltimore, the Auditor of State of Ohio, and others within the Village. We intend it for no one other than these specified parties

A handwritten signature in red ink, likely of the auditor, is located in the lower right portion of the page. The signature is cursive and appears to read "E. L. Green and Company".



E.S. Evans and Company

Certified Public Accountants

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Steven D. Hooker, CPA • John E. Klay, CPA

August 31, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Village of North Baltimore
Wood County, Ohio

Compliance

We have audited the compliance of the Village of North Baltimore (the Government) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of North Baltimore's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Government's major federal program. The Government's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Government's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with these requirements.

In our opinion, the Village of North Baltimore complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The Government's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Government's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Village of North Baltimore, the Auditor of State of Ohio, and others within the Village. We intend it for no one other than these specified parties

A handwritten signature in red ink, appearing to read "E. J. Green and Company".

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

December 31, 2011

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #10.781 ARRA - Water and Wastewater Disposal System for Rural Communities
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Material Weakness/Noncompliance Citation:

Ohio Revised Code Section 5705.41(B) states that no money is to be expended unless it has been appropriated. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2010 by \$12 in the Water Capital Improvement Reserve Fund and by \$5,122,518 in the Wastewater Capital Improvement Reserve Fund. In addition, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2011 by \$43,416 in the Wastewater Utility Operating Fund and by \$289,694 in the First Mortgage Debt Service Fund.

Having expenditures in excess of appropriations, the Village is unlawfully spending monies that have not been previously appropriated by Council. Expending in excess of appropriations could cause overspending and deficit fund balances.

We recommend the Village more closely monitor its budget in relation to expenditures compared to appropriations. We also recommend the Village review the Ohio Revised Code and Auditor of State Bulletin 97-010 in order to lawfully make expenditures. In addition, we recommend that the Village adopt internal controls to mitigate the risk of future noncompliance with the Ohio Revised Code and Auditor of State Bulletins.

Village's Response: The Village will more closely monitor the budget in relation to the expenditures compared to appropriations. We will comply with ORC 5705.41(B).

FINDING NUMBER 2011-002

Material Weakness/Noncompliance Citation:

Ohio Revised Code Section 5705.36(A)(4) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources of the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Estimated resources were greater than actual receipts in some of the Village funds for 2010 and 2011, and thus created one fund to have a deficiency of actual available resources compared to appropriations. In 2011, the Wastewater Capital Improvement Reserve Fund had a deficiency of \$4,532,326.

Actual receipts should be compared to budgeted receipts on a periodic basis to monitor for significant variances. Amended certificates should be requested from the County Budget Commission when it becomes apparent that actual receipts are going to be significantly less than estimated receipts, and the deficiency in receipts will fall below the appropriation level for the fund. This analysis should also encompass a comparison of appropriations versus available resources after amendment.

Village's Response: The Village will amend the statement of estimated resources prior to year's end so that we are in compliance with ORC 5705.36(A)(4).

**SCHEDULE OF FINDINGS – (CONTINUED)
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-003

Material Weakness:

Ohio Administrative Code Sections 117-2-03 states that pursuant to Section 117.38 of the Ohio Revised Code, all public offices must file an annual report. We found that the annual report filed with the Auditor of State was not accurately prepared and contained significant misstatements. Numerous journal entries were prepared in order to properly reflect the financial activity of the Village in the accounting records as well as on the financial statements. The cash reports filed by the village were not substantially complete financial statements for 2010 and 2011. The Village should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

The following material errors were noted in the recording of the Village's transactions for 2011 and 2010:

- In 2010, \$36,634 was reclassified to an agency fund to properly reflect the Township and JEDD share of the income tax collected and \$44,082 paid out.
- In 2011, \$7,085 was reclassified to an agency fund to properly reflect the Township and JEDD share of the income tax collected and \$5,414 paid out.
- In 2011, a \$51,111 entry was made to record properly account for income tax collections and refund/fees paid by the Village in the general fund.
- In 2011, a \$63,571 entry was made to properly account for a donation in the Parks and Recreation Fund.
- In 2010, \$667,898 in entries were made to properly account for debt payments, and draws on loans (reclassifying from grant income and recording others not recorded at all by Village).
- In 2011, \$4,332,181 in entries were made to properly account for debt payments, and draws on loans (reclassifying from grant income and recording others not recorded at all by Village).

In addition, it was found when reconciling fund balances to cash accounts, a variance of \$2,616 existed at December 31, 2010 and \$11,106 at December 31, 2011. We recommend that procedures be implemented to balance all accounts and reconcile these to the fund balances on a monthly basis.

The failure to correctly record receipts and disbursements may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions as a result of erroneous records, may conceal illegal transactions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accounting records and accompanying financial statements have been adjusted to correctly reflect this financial activity. The Village Finance Officer should review the Ohio Village Manual, and the Auditor of State Audit Bulletins 2000-008 and 2002-004 for guidance in the recording of financial activity. The Village's Finance Officer and Council Members should also perform a periodic review of the financial records and financial statements to help identify financial recording errors.

Village's Response: The Village will comply with ORC 117.38 when reporting annual financial statements. We will implement the audit committee to check the financial statements prior to filing with the County.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

**SCHEDULE OF FINDINGS – (CONTINUED)
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-004

Material Weakness/Noncompliance Citation:

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions, which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$3,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$3,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

We found that in our sample of disbursements, purchase orders are being issued but many are issued after the invoice date. All of these exceptions noted could have been averted if the “then and now” certificate was utilized. We recommend that the Finance Officer review this Revised Code Section and properly certify expenditures.

It was also noted that blanket purchase orders are being utilized by the Village but are not being printed or signed copies retained by the Village. We recommend that all blanket purchase orders be printed and signed using the same system as regular purchase orders as it is difficult to verify the validity and amounts of the blankets in the system.

In addition, as purchase orders are issued, funds are encumbered to pay for the amount of the purchase. At December 31, 2011 we found \$99,149 of unrecorded encumbrances and \$24,861 at December 31, 2010. These have been adjusted and properly reflected on the audited financial statements. We once again recommend that procedures be put in place to obtain Purchase Orders before an actual purchase is made and in addition, that all purchase orders are reviewed at year-end for proper cut-off and recording.

Village's Response: The Village will implement the “then and now” certification. We have already changed our procedure regarding blanket purchase orders. They are now printed and signed. We will remind Department Heads that purchase orders must be completed prior to ordering any items for the Village.

**SCHEDULE OF FINDINGS – (CONTINUED)
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-005

Material Weakness/Noncompliance Citation:

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. For 2011, the Village passed a supplemental appropriation measure for \$4,990,534 for Fund 574 – Wastewater Capital Improvement Reserve Fund. This was not needed due to amounts previously encumbered and carried over from 2010 to 2011. In the financial records of the Village, this amount was subsequently backed off but the supplemental appropriation was never officially withdrawn by Council, nor was anything filed with the County Auditor to withdraw this supplemental appropriation. The result of this supplemental appropriation not being officially withdrawn created a violation of appropriations exceeding estimated resources in the amount of \$4,829,850 in the Wastewater Capital Improvement Reserve Fund for 2011.

Village's Response: The Village will amend the supplemental appropriations prior to year's end, if necessary to comply with ORC 5705.39.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	No money is to be expended unless it has been appropriated	No	Repeat as Comment 2011-001
2009-002	Financial Reports filed by the Village were not substantially complete	No	Repeat as Comment 2011-002



Dave Yost • Auditor of State

VILLAGE OF NORTH BALTIMORE

WOOD 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 20, 2012