



**Auditor of State
Betty Montgomery**

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Baltimore
Fairfield County
103 West Market Street
Baltimore, Ohio 43105

To the Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Baltimore, Fairfield County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Baltimore, Fairfield County, Ohio, as of December 31, 2005, and the respective changes in modified cash basis financial position and the respective budgetary comparison of the General and Street Construction Funds thereof for the year ended December 31, 2005 in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Village of Baltimore (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$77,835 or 15 percent, as compared to 2004. The fund most affected by the decrease in cash and cash equivalents was the Street Construction, Maintenance, and Repair Fund, which realized the greatest burden of increased costs in 2005.

The Village's general receipts are primarily intergovernmental receipts and income taxes. These receipts represent 78 percent of the total cash received for governmental activities during the year. Intergovernmental receipts were enhanced in 2005 by an increase in estate taxes and Issue II funding.

Net assets of business-type activities increased \$1,195,912 or 158 percent, as compared to 2004. The fund most affected by the increase in cash and cash equivalents was the Sewer Fund, which issued bond anticipation notes for the sanitary sewer project.

During 2005 the Village continued its three year sanitary sewer improvement project approximating \$4.5 million, scheduled for completion during 2007. The project is being financed by anticipation notes and is expected to be permanently financed, near the end of 2006.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. State grants, income taxes and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has three business-type activities, the provision of water, sanitary sewer, and a municipal pool. Business-type activities are financed by fees charged to the customers receiving the service.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds - not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General and Street Construction Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three major enterprise funds, the Water, Sewer, and Wastewater Treatment Plant Funds. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

Fiduciary Fund - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a modified cash basis:

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Cash and Cash Equivalents	\$441,131	\$518,966	\$1,951,287	\$755,375	\$2,392,418	\$1,274,341
Total Assets	<u>441,131</u>	<u>518,966</u>	<u>1,951,287</u>	<u>755,375</u>	<u>2,392,418</u>	<u>1,274,341</u>
Net Assets						
Restricted for:						
Debt Service	0	2,175	0	0	0	2,175
Other Purposes	134,280	220,481	0	0	134,280	220,481
Unrestricted	306,851	296,310	1,951,287	755,375	2,258,138	1,051,685
Total Net Assets	<u>\$441,131</u>	<u>\$518,966</u>	<u>\$1,951,287</u>	<u>\$755,375</u>	<u>\$2,392,418</u>	<u>\$1,274,341</u>

As mentioned previously, net assets of governmental activities decreased \$77,835 or 15 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Increases in salaries averaging 3% had the effect of increasing that cost nearly \$15,000, and the cost of benefits increased nearly \$20,000, due largely to group health insurance increases.
- The Village undertook major culvert construction; 25% or nearly \$66,000 of its cost was funded by the Village.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

(Table 2)

Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$75,381	\$1,017,375	\$1,092,756
Operating Grants and Contributions	118,350	0	118,350
Capital Grants and Contributions	137,000	0	137,000
Total Program Receipts	330,731	1,017,375	1,348,106
General Receipts:			
Property and Other Local Taxes	86,595	0	86,595
Income Taxes	464,366	2,883	467,249
Notes Issued	0	2,586,000	2,586,000
Premium on Debt Issue	0	1,948	1,948
Grants and Entitlements Not Restricted to Specific Programs	113,774	0	113,774
Interest	45,426	0	45,426
Miscellaneous	17,936	18,162	36,098
Total General Receipts	728,097	2,608,993	3,337,090
Total Receipts	1,058,828	3,626,368	4,685,196
Disbursements:			
General Government	194,114	243	194,357
Security of Persons and Property:	178,188	0	178,188
Public Health Services	19,467	0	19,467
Leisure Time Activities	23,088	0	23,088
Community Environment	45,457	0	45,457
Transportation	302,956	0	302,956
Capital Outlay	333,753	38,859	372,612
Principal Retirement	8,135	700,000	708,135
Interest and Fiscal Charges	1,505	17,242	18,747
Water	0	362,966	362,966
Sewer	0	1,225,836	1,225,836
Swimming Pool	0	109,710	109,710
Utility deposit	0	5,600	5,600
Total Disbursements	1,106,663	2,460,456	3,567,119
Excess (Deficiency) Before Transfers	(47,835)	1,165,912	1,118,077
Transfers	(30,000)	30,000	0
Increase (Decrease) in Net Assets	(\$77,835)	\$1,195,912	\$1,118,077

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Program receipts represent 28.8 percent of total receipts and are primarily comprised of charges for services and sales.

General receipts represent 71.2 percent of the Village's total receipts and of that amount, over 77 percent was notes issued for the wastewater treatment plant expansion project. Local taxes, state grants and entitlements make up the balance of the Village's general receipts (20 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and support services provided for other Government activities. These include costs of Council, a Village Administrator, and the fiscal officer, as well as internal services such as payroll and for purchasing.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; Community Environment promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and capital outlay, accounting for 27 and 31 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 18 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, absorbed by monies assessed local taxpayers. These net costs are paid from the general receipts, presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$194,114	(\$191,930)
Security of Persons and Property	178,188	(177,699)
Public Health Services	19,467	(12,277)
Leisure Time Activities	23,088	(19,118)
Community Environment	45,457	(4,458)
Transportation	302,956	(164,057)
Capital Outlay	333,753	(196,753)
Principal Retirement	8,135	(8,135)
Interest and Fiscal Charges	1,505	(1,505)
Total Expenses	<u>\$1,106,663</u>	<u>(\$775,932)</u>

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)

Dependence on property and income tax and intergovernmental receipts is apparent; over 60 percent of governmental activities are supported through these general receipts.

Business-type Activities

The water and sanitary sewer operations of the Village are important functions where typically, revenues have been sufficient to meet operating costs. The infrastructure has been aging and as such, the Village has undertaken major repairs and improvements and are coincidentally involved currently, in establishing a more permanent longer-term financing mechanism to fund those enhancements.

The Village's Funds

Total governmental funds had receipts of \$1,058,828 and disbursements of \$1,106,663. The greatest change within governmental funds occurred within the Street Construction Fund. That fund balance decreased \$95,050 as the result of culvert enhancement initiatives discussed elsewhere herein. General Fund receipts were greater than disbursements by \$84,557.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to additional revenues from building inspections. Actual receipts exceeded budget primarily due to higher than anticipated intergovernmental and income tax receipts, as well as from increased interest income resulting from investment of anticipation note funds, in advance of the construction related improvements.

Final disbursements were budgeted at \$589,278 while actual disbursements were \$512,019.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2006 but reductions in staff may delay the implementation.

Debt

At December 31, 2005, the Village's outstanding debt included \$2,586,000 in general obligation bond anticipation notes, issued for improvements to sanitary sewer infrastructure, and \$26,584 in a capital lease for equipment. For further information regarding the Village's debt, refer to the Notes 11 and 12 to the basic financial statements.

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)

Current Issues

The challenge for the Village is to provide quality services to the public while staying within the restrictions imposed by limited, fiscally responsible funding. Reliance is heavy on local taxes, in view of how little industry is located in the Village to support a formidable tax base. Sources of revenue are being continually reviewed and near-term, increases by virtue of growth as well as from other factors, seem unlikely. Disbursement histories of the Village have also been studied. The plan for the Village will continue to focus on fiscally responsible management, so as to deliver both those important community services, as well as to contain associated costs.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ms. Florence Welker, Fiscal Officer, 103 West Market Street, Baltimore, Ohio 43105.

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$441,131	\$1,951,287	\$2,392,418
<i>Total Assets</i>	<u>441,131</u>	<u>1,951,287</u>	<u>2,392,418</u>
Net Assets			
Restricted for:			
Other Purposes	134,280	0	134,280
Unrestricted	306,851	1,951,287	2,258,138
<i>Total Net Assets</i>	<u>\$441,131</u>	<u>\$1,951,287</u>	<u>\$2,392,418</u>

See accompanying notes to the basic financial statements

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$194,114	\$2,184	\$0	\$0	(\$191,930)		(\$191,930)
Security of Persons and Property	178,188	489	0	0	(177,699)		(177,699)
Public Health Services	19,467	7,190	0	0	(12,277)		(12,277)
Leisure Time Activities	23,088	3,970	0	0	(19,118)		(19,118)
Community Environment	45,457	40,999	0	0	(4,458)		(4,458)
Transportation	302,956	20,549	118,350	0	(164,057)		(164,057)
Capital Outlay	333,753	0	0	137,000	(196,753)		(196,753)
Debt Service							
Principal	8,135	0	0	0	(8,135)		(8,135)
Interest	1,505	0	0	0	(1,505)		(1,505)
<i>Total Governmental Activities</i>	<u>1,106,663</u>	<u>75,381</u>	<u>118,350</u>	<u>137,000</u>	<u>(775,932)</u>		<u>(775,932)</u>
Business Type Activity							
Water	362,966	364,191	0	0		\$1,225	1,225
Sewer	1,725,836	387,002	0	0		(1,338,834)	(1,338,834)
Swimming Pool	109,953	76,186	0	0		(33,767)	(33,767)
Wastewater Treatment Plant	217,242	189,996	0	0		(27,246)	(27,246)
Utility Deposit	5,600	0	0	0		(5,600)	(5,600)
Sewer Replacement	38,859	0	0	0		(38,859)	(38,859)
<i>Total Business-Type Activities</i>	<u>2,460,456</u>	<u>1,017,375</u>	<u>0</u>	<u>0</u>			
Total	<u>\$3,567,119</u>	<u>\$1,092,756</u>	<u>\$118,350</u>	<u>\$137,000</u>	<u>(775,932)</u>	<u>(1,443,081)</u>	<u>(2,219,013)</u>
General Receipts							
Property Taxes Levied for General Purposes					86,595	0	86,595
Municipal Income Taxes					464,366	2,883	467,249
Grants and Entitlements not Restricted to Specific Programs					113,774	0	113,774
Proceeds of Notes					0	2,586,000	2,586,000
Premium on Notes					0	1,948	1,948
Interest					45,426	0	45,426
Miscellaneous					17,936	18,162	36,098
<i>Total General Receipts</i>					<u>728,097</u>	<u>2,608,993</u>	<u>3,337,090</u>
Transfers					(30,000)	30,000	0
<i>Total General Receipts and Transfers</i>					<u>698,097</u>	<u>2,638,993</u>	<u>3,337,090</u>
Change in Net Assets					(77,835)	1,195,912	1,118,077
<i>Net Assets Beginning of Year</i>					<u>518,966</u>	<u>755,375</u>	<u>1,274,341</u>
<i>Net Assets End of Year</i>					<u>\$441,131</u>	<u>\$1,951,287</u>	<u>\$2,392,418</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General Fund	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$242,130	\$67,671	\$131,330	\$441,131
<i>Total Assets</i>	<u>242,130</u>	<u>67,671</u>	<u>131,330</u>	<u>441,131</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	4,128	1,361	6,001	11,490
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	238,002	0		238,002
Special Revenue Funds	0	66,310	66,609	132,919
Capital Projects Funds	0	0	58,720	58,720
<i>Total Fund Balances</i>	<u>\$242,130</u>	<u>\$67,671</u>	<u>\$131,330</u>	<u>\$441,131</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal Income Taxes	\$286,985	\$177,381	\$0	\$464,366
Property and Other Local Taxes	86,595	0	20,549	107,144
Charges for Services	11,160	0	0	11,160
Fines, Licenses and Permits	43,622	0	50	43,672
Intergovernmental	113,774	109,474	145,876	369,124
Interest	43,112	1,514	800	45,426
Miscellaneous	7,200	10,736	0	17,936
<i>Total Receipts</i>	<u>592,448</u>	<u>299,105</u>	<u>167,275</u>	<u>1,058,828</u>
Disbursements				
Current:				
General Government	178,408	15,436	270	194,114
Security of Persons and Property	178,188	0	0	178,188
Public Health Services	19,167	0	300	19,467
Leisure Time Activities	23,088	0	0	23,088
Community Environment	45,457	0	0	45,457
Transportation	0	293,602	9,354	302,956
Capital Outlay	63,583	75,477	194,693	333,753
Debt Service:				0
Principal Retirement	0	8,135	0	8,135
Interest and Fiscal Charges	0	1,505	0	1,505
<i>Total Disbursements</i>	<u>507,891</u>	<u>394,155</u>	<u>204,617</u>	<u>1,106,663</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>84,557</u>	<u>(95,050)</u>	<u>(37,342)</u>	<u>(47,835)</u>
Other Financing Sources (Uses)				
Transfers In	2,175	0	0	2,175
Transfers Out	(30,000)	0	(2,175)	(32,175)
<i>Total Other Financing Sources (Uses)</i>	<u>(27,825)</u>	<u>0</u>	<u>(2,175)</u>	<u>(30,000)</u>
<i>Net Change in Fund Balances</i>	56,732	(95,050)	(39,517)	(77,835)
<i>Fund Balances Beginning of Year</i>	<u>185,398</u>	<u>162,721</u>	<u>170,847</u>	<u>518,966</u>
<i>Fund Balances End of Year</i>	<u>\$242,130</u>	<u>\$67,671</u>	<u>\$131,330</u>	<u>\$441,131</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$267,435	\$267,435	\$286,985	\$19,550
Property and Other Local Taxes	79,000	79,000	86,595	7,595
Charges for Services	12,000	12,000	11,160	(840)
Fines, Licenses and Permits	26,100	46,100	43,622	(2,478)
Intergovernmental	75,150	75,150	113,774	38,624
Interest	15,000	15,000	43,112	28,112
Miscellaneous	8,000	8,000	7,200	(800)
<i>Total Receipts</i>	<u>482,685</u>	<u>502,685</u>	<u>592,448</u>	<u>89,763</u>
Disbursements				
Current:				
General Government	186,592	186,592	180,095	6,497
Security of Persons and Property	170,900	170,900	178,188	(7,288)
Public Health Services	20,227	20,227	19,166	1,061
Leisure Time Activities	39,800	39,800	23,088	16,712
Community Environment	39,750	55,050	47,899	7,151
Capital Outlay	116,709	116,709	63,583	53,126
<i>Total Disbursements</i>	<u>573,978</u>	<u>589,278</u>	<u>512,019</u>	<u>77,259</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(91,293)</u>	<u>(86,593)</u>	<u>80,429</u>	<u>167,022</u>
Other Financing Sources (Uses)				
Transfers In	2,175	2,175	2,175	0
Transfers Out	(30,000)	(30,000)	(30,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(27,825)</u>	<u>(27,825)</u>	<u>(27,825)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(119,118)</u>	<u>(114,418)</u>	<u>52,604</u>	<u>167,022</u>
<i>Fund Balance Beginning of Year</i>	<u>177,997</u>	<u>177,997</u>	<u>177,997</u>	<u>0</u>
Prior Year Encumbrances Appropriated	7,401	7,401	7,401	0
<i>Fund Balance End of Year</i>	<u>\$66,280</u>	<u>\$70,980</u>	<u>\$238,002</u>	<u>\$167,022</u>

See accompanying notes to the basic financial statements

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$148,006	\$148,006	\$177,381	\$29,375
Intergovernmental	114,000	114,000	109,474	(4,526)
Interest	1,000	1,000	1,514	514
Miscellaneous	3,000	3,000	10,736	7,736
<i>Total receipts</i>	<u>266,006</u>	<u>266,006</u>	<u>299,105</u>	<u>33,099</u>
Disbursements				
Current:				
General Government	16,811	16,811	16,797	14
Transportation	358,074	358,074	293,602	64,472
Capital Outlay	21,760	21,760	75,477	(53,717)
Debt Service:				
Principal Retirement	8,135	8,135	8,135	0
Interest and Fiscal Charges	1,505	1,505	1,505	0
<i>Total Disbursements</i>	<u>406,285</u>	<u>406,285</u>	<u>395,516</u>	<u>10,769</u>
<i>Net Change in Fund Balance</i>	(140,279)	(140,279)	(96,411)	43,868
<i>Fund Balance Beginning of Year</i>	<u>148,372</u>	<u>148,372</u>	<u>148,372</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>14,349</u>	<u>14,349</u>	<u>14,349</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$22,442</u>	<u>\$22,442</u>	<u>\$66,310</u>	<u>\$43,868</u>

See accompanying notes to the basic financial statements

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	Business-Type Activities				Total Enterprise Funds
	Water Fund	Sewer Fund	Wastewater Treatment Plant Fund	Other Enterprise Funds	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$134,514	\$1,432,936	\$325,551	\$58,286	\$1,951,287
<i>Total Assets</i>	<u>134,514</u>	<u>1,432,936</u>	<u>325,551</u>	<u>58,286</u>	<u>1,951,287</u>
Net Assets					
Unrestricted	<u>\$134,514</u>	<u>\$1,432,936</u>	<u>\$325,551</u>	<u>\$58,286</u>	<u>\$1,951,287</u>

See accompanying notes to the basic financial statements

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-Type Activities				Total Enterprise Funds
	Water Fund	Sewer Fund	Wastewater Treatment Plant Fund	Other Enterprise Funds	
Operating Receipts					
Charges for Services	\$364,191	\$387,002	\$189,996	\$58,054	\$999,243
Miscellaneous	3,219	3,768	0	29,307	36,294
<i>Total Operating Receipts</i>	<u>367,410</u>	<u>390,770</u>	<u>189,996</u>	<u>87,361</u>	<u>1,035,537</u>
Operating Disbursements					
Personal Services	149,349	166,617	0	0	315,966
Contractual Services	53,056	327,708	0	83,677	464,441
Materials and Supplies	73,157	48,591	0	26,033	147,781
Capital Outlay	87,375	682,487	0	38,859	808,721
Transportation	29	433	0	0	462
<i>Total Operating Disbursements</i>	<u>362,966</u>	<u>1,225,836</u>	<u>0</u>	<u>148,569</u>	<u>1,737,371</u>
<i>Operating Income (Loss)</i>	4,444	(835,066)	189,996	(61,208)	(701,834)
Non-Operating Receipts (Disbursements)					
Municipal Income Tax	0	0	0	2,883	2,883
Proceeds of Notes	0	2,586,000	0	0	2,586,000
Premium on Notes	0	1,948	0	0	1,948
Principal Payments	0	(500,000)	(200,000)	0	(700,000)
Interest and Other Fiscal Charges	0	0	(17,242)	0	(17,242)
Other	0	0	0	(5,843)	(5,843)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>	<u>2,087,948</u>	<u>(217,242)</u>	<u>(2,960)</u>	<u>1,867,746</u>
<i>Income (Loss) before Transfers</i>	4,444	1,252,882	(27,246)	(64,168)	1,165,912
Transfers In	0	0	0	40,000	40,000
Transfers Out	0	(10,000)	0	0	(10,000)
<i>Change in Net Assets</i>	4,444	1,242,882	(27,246)	(24,168)	1,195,912
<i>Net Assets Beginning of Year</i>	<u>130,070</u>	<u>190,054</u>	<u>352,797</u>	<u>82,454</u>	<u>755,375</u>
<i>Net Assets End of Year</i>	<u>\$134,514</u>	<u>\$1,432,936</u>	<u>\$325,551</u>	<u>\$58,286</u>	<u>\$1,951,287</u>

See accompanying notes to the basic financial statements

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2005

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,075</u>
Net Assets	
Restricted:	
Held in Trust for Dorothy Miller	16,000
Held in Trust for James Benedum	518
Unrestricted	<u>1,557</u>
Total Net Assets	<u>\$18,075</u>

See accompanying notes to the basic financial statements

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Private Purpose Trust
Additions	
Interest	\$325
<i>Total Additions</i>	<u>325</u>
Deductions	
Payments in Accordance with Trust Agreements	7,500
<i>Total Deductions</i>	<u>7,500</u>
Change in Net Assets	(7,175)
Net Assets - Beginning of Year	<u>25,250</u>
Net Assets - End of Year	<u><u>\$18,075</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Note 1 – Reporting Entity

The Village of Baltimore, Fairfield County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, presides over Council and votes only to break a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Jointly Governed Organizations

The Village participates in two jointly governed organizations. Note 15 to the Financial Statements provide additional information for these entities.

These organizations are:

- 1) Fairfield County Regional Planning Commission
- 2) Basil Joint Fire District

The Village's Management believes these Financial States present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's only major governmental funds are the General Fund and the Street Construction Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Fund is used for the construction, maintenance and repair of the streets and storm sewers for the village. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are:

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Waste Water Treatment Plant Fund - The waste water treatment plant Fund accounts for its debt service.

Fiduciary Fund

The Village's Fiduciary fund is the Basil Cemetery Fund, interest on which trust funds bequeathed to the Village, are used to assist in maintaining the cemeteries in the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the Fund, Department, and Object level for all funds.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

When invested, the Village reported those as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$43,112 which includes \$38,801 assigned from other Village Funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets at December 31, 2005.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's modified cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

K. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. The Village records an other financing source and capital outlay expenditure at the inception of a capital lease. Lease payments are reported as debt service expenditures when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for expenditures for specified purposes.

M. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balances indicates that portion of fund balance which is available for appropriation in future periods. Fund Balance reserves have been established for encumbrances.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statement are reported in the same manner as general receipts.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Exchange transactions between funds are reported as receipts in the seller funds and disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General and Street Construction Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). Encumbrances outstanding at year end (budgetary basis) amounted to \$4,128 for the General Fund and \$1,361 for the Street Construction Fund.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 5 – Deposits and Investments (Continued)

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,358,876 of the Village's bank balance of \$2,458,876 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

Note 5 – Deposits and Investments (Continued)

Investments

As of December 31, 2005, the Village had the following investments:

	<u>Carrying Value</u>
STAR Ohio	<u>\$723,762</u>
Total Portfolio	<u>\$723,762</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 6 – Income Taxes

The Village levies a one percent income tax whose proceeds are placed into the Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit equal to 50 percent of assessed taxes paid to another city, up to 50 percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax proceeds until November 10, 2005, were allocated 62.5% to the General Fund and 37.5% to the Street Construction Fund. Beginning November 11, 2005, income tax proceeds were allocated 45% to the General Fund, 45% to the Street Construction Fund, and 10% to the Swimming Pool Fund.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in the 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004 on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended, December 31, 2005 was \$1.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$36,394,220
Agriculture	292,670
Commercial/Industrial/Mineral	6,186,700
Public Utility Property	
Real	5,930
Personal	1,558,190
Tangible Personal Property	<u>4,356,696</u>
Total Assessed Value	<u>\$48,794,406</u>

Note 8 – Risk Management

Property coverage contracts protect against losses, subject to a deductible of \$500, limited to an annual aggregate loss of \$3,325,499.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$68,197, \$63,033, and \$58,382 respectively. 71.5 percent has been contributed for 2005 and 100 percent for 2004 and 2003.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's contributions to OP&F for Police were \$5,792 for the year ended December 31, 2005, \$4,795 for the year ended December 31, 2004, and \$2,314 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 70.4 percent has been contributed for 2005

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

Note 10 – Post-employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. The actuarial values of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Employee and Employer contribution rates increased as of January 1, 2006 which allows additional funds to be allocated to the Health Care Plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 10 – Post-employment Benefits (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 11 - Notes Payable

A summary of the note transactions for the current year ended follows:

	Interest Rate	Outstanding 1/1/05	Additions	Reductions	Outstanding 12/31/05
<u>Business-type Activities</u>					
<u>Bond Anticipation Notes</u>					
Sanitary Sewer System BAN – 2004 Issue	2.47%	\$700,000	\$0	\$700,000	\$0
Sanitary Sewer System BAN – 2005 Issue	3.33%	0	500,000	0	500,000
Sanitary Sewer System BAN – 2005 Issue	3.06%	0	1,536,000	0	1,536,000
Sanitary Sewer System BAN – 2005 Issue	3.06%	0	550,000	0	550,000
Total		<u>\$700,000</u>	<u>\$2,586,000</u>	<u>\$700,000</u>	<u>\$2,586,000</u>

The notes were issued for repair of waste water treatment plant. All note proceeds had been spent at December 31, 2005. The bond anticipation notes are backed by the full faith and credit of the Village and mature within one year.

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$5,123,413 and an unvoted debt margin of \$2,683,692.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

Note 12 – Leases

The Village leases vehicles under non-cancelable leases. The Village disbursed \$9,640 to pay lease costs for the year ended December 31, 2005. Future lease payments, including interest, are as follows:

Year	Amount
2006	\$9,640
2007	9,640
2008	9,640
Total	<u>\$28,920</u>

Note 13 – Construction and Contractual Commitments

As of December 31, 2005, the Village has undertaken the construction and renovation of the wastewater treatment plant at a cost of nearly \$5 million.

Note 14 – Contingent Liabilities

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

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors 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.

Note 15 – Jointly Governed Organizations

A. Fairfield County 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.

B. 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.

Note 16 – Subsequent Event

On June 8, 2006, the Village issued \$2,286,000 in Wastewater Treatment System Improvement Bond Anticipation Notes for the Wastewater Treatment Plant Project, which will mature on June 8, 2007.

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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 West Market Street
Baltimore, Ohio 43105

To the Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Baltimore, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 31, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 in order to express our opinions 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 another matter involving internal control over financial reporting we did not deem a reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated August 31, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Village of Baltimore
Fairfield County
Independent Accounts' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ordinance 2003-44, the Village's "Pay Plan" – Fiscal Officer was overpaid \$372.98.	Yes	



**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**