



Mary Taylor, CPA
Auditor of State

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 26, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Baltimore, Fairfield County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position 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 and reserves for encumbrances of Village of Baltimore, Fairfield County, Ohio as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 26, 2010, 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.

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

Mary Taylor, CPA
Auditor of State

August 26, 2010

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 92,877	\$ 20,835	\$ -	\$ 113,712
Municipal Income Tax	263,317	206,804	-	470,121
Intergovernmental	91,152	140,639	-	231,791
Charges for Services	15,170	-	-	15,170
Fines, Licenses and Permits	101,245	3,754	-	104,999
Earnings on Investments	10,847	182	-	11,029
Miscellaneous	11,594	643	-	12,237
Total Cash Receipts	586,202	372,857	-	959,059
Cash Disbursements:				
Current:				
Security of Persons and Property	295,410	2,778	-	298,188
Public Health Services	18,753	-	-	18,753
Leisure Time Activities	32,890	-	-	32,890
Community Environment	52,218	-	-	52,218
Basic Utility Service	11,089	-	-	11,089
Transportation	-	324,045	-	324,045
General Government	194,183	19,707	-	213,890
Capital Outlay	4,911	56,425	185	61,521
Total Cash Disbursements	609,454	402,955	185	1,012,594
Total Receipts (Under) Disbursements	(23,252)	(30,098)	(185)	(53,535)
Other Financing Receipts / (Disbursements):				
Transfers-In	-	17,092	-	17,092
Transfers-Out	-	(17,092)	-	(17,092)
Total Other Financing Receipts / (Disbursements)	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(23,252)	(30,098)	(185)	(53,535)
Fund Cash Balances, January 1	62,386	121,904	10,915	195,205
Fund Cash Balances, December 31	\$ 39,134	\$ 91,806	\$ 10,730	\$ 141,670
Reserve for Encumbrances, December 31	\$ 15,269	\$ 2,261	\$ -	\$ 17,530

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	
Operating Cash Receipts:			
Charges for Services	\$ 1,262,625	\$ -	\$ 1,262,625
Miscellaneous	37,867	-	37,867
Total Operating Cash Receipts	<u>1,300,492</u>	<u>-</u>	<u>1,300,492</u>
Operating Cash Disbursements:			
Personal Services	430,525	-	430,525
Employee Fringe Benefits	590	-	590
Contractual Services	109,549	-	109,549
Supplies and Materials	202,419	-	202,419
Total Operating Cash Disbursements	<u>743,083</u>	<u>-</u>	<u>743,083</u>
Operating Income	<u>557,409</u>	<u>-</u>	<u>557,409</u>
Non-Operating Cash Receipts:			
Intergovernmental	510,530	-	510,530
Earnings on Investments	-	29	29
Refund of Notes	2,648,000	-	2,648,000
OWDA Loans	507,692	-	507,692
OPWC Loans	350,000	-	350,000
Total Non-Operating Cash Receipts	<u>4,016,222</u>	<u>29</u>	<u>4,016,251</u>
Non-Operating Cash Disbursements:			
Capital Outlay	(2,365,070)	-	(2,365,070)
Redemption of Principal	(3,027,396)	-	(3,027,396)
Interest and Other Fiscal Charges	(240,215)	-	(240,215)
Other Non-Operating Cash Disbursements	(6,314)	-	(6,314)
Total Non-Operating Cash Disbursements	<u>(5,638,995)</u>	<u>-</u>	<u>(5,638,995)</u>
Net Receipts Over/(Under) Disbursements	(1,065,364)	29	(1,065,335)
Fund Cash Balances, January 1	<u>1,992,419</u>	<u>19,263</u>	<u>2,011,682</u>
Fund Cash Balances, December 31	<u>\$ 927,055</u>	<u>\$ 19,292</u>	<u>\$ 946,347</u>
Reserve for Encumbrances, December 31	<u>\$ 67,736</u>	<u>\$ -</u>	<u>\$ 67,736</u>

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

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$ 88,330	\$ 20,566	\$ -	\$ 108,896
Municipal Income Tax	244,034	244,033	-	488,067
Intergovernmental	65,258	135,910	-	201,168
Charges for Services	15,940	-	-	15,940
Fines, Licenses and Permits	37,604	3,168	-	40,772
Earnings on Investments	33,624	1,817	-	35,441
Miscellaneous	8,958	1,440	-	10,398
	493,748	406,934	-	900,682
Cash Disbursements:				
Current:				
Security of Persons and Property	279,973	2,297	-	282,270
Public Health Services	20,702	-	-	20,702
Leisure Time Activities	40,543	-	-	40,543
Community Environment	59,215	-	-	59,215
Transportation	-	355,548	-	355,548
General Government	243,313	51,656	-	294,969
Debt Service:				
Redemption of Principal	-	8,856	-	8,856
Interest and Fiscal Charges	-	784	-	784
Capital Outlay	4,760	8,632	25,094	38,486
	648,506	427,773	25,094	1,101,373
Total Receipts Over/(Under) Disbursements	(154,758)	(20,839)	(25,094)	(200,691)
Other Financing Receipts / (Disbursements):				
Transfers-In	-	4,521	-	4,521
Transfers-Out	-	(4,521)	-	(4,521)
	-	-	-	-
Total Other Financing Receipts / (Disbursements)	-	-	-	-
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(154,758)	(20,839)	(25,094)	(200,691)
Fund Cash Balances, January 1	217,144	142,743	36,009	395,896
Fund Cash Balances, December 31	\$ 62,386	\$ 121,904	\$ 10,915	\$ 195,205
Reserve for Encumbrances, December 31	\$ 4,395	\$ 2,198	\$ -	\$ 6,593

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,275,458	\$ -	\$ 1,275,458
Miscellaneous	36,006	-	36,006
Total Operating Cash Receipts	<u>1,311,464</u>	<u>-</u>	<u>1,311,464</u>
Operating Cash Disbursements:			
Personal Services	393,940	-	393,940
Transportation	1,135	-	1,135
Contractual Services	143,121	-	143,121
Supplies and Materials	174,797	-	174,797
Total Operating Cash Disbursements	<u>712,993</u>	<u>-</u>	<u>712,993</u>
Operating Income	<u>598,471</u>	<u>-</u>	<u>598,471</u>
Non-Operating Cash Receipts:			
Municipal Income Taxes	32,821	-	32,821
Intergovernmental	143,067	-	143,067
Earnings on Investments	-	284	284
Refund of Notes	2,773,000	-	2,773,000
OWDA Loans	1,508,196	-	1,508,196
OPWC Loans	161,874	-	161,874
Total Non-Operating Cash Receipts	<u>4,618,958</u>	<u>284</u>	<u>4,619,242</u>
Non-Operating Cash Disbursements:			
Capital Outlay	(2,184,305)	-	(2,184,305)
Redemption of Principal	(2,112,254)	-	(2,112,254)
Interest and Other Fiscal Charges	(163,009)	-	(163,009)
Other Non-Operating Cash Disbursements	(14,635)	-	(14,635)
Total Non-Operating Cash Disbursements	<u>(4,474,203)</u>	<u>-</u>	<u>(4,474,203)</u>
Net Receipts Over Disbursements	743,226	284	9,691,916
Fund Cash Balances, January 1	<u>1,249,193</u>	<u>18,979</u>	<u>1,268,172</u>
Fund Cash Balances, December 31	<u>\$ 1,992,419</u>	<u>\$ 19,263</u>	<u>\$ 2,011,682</u>
Reserve for Encumbrances, December 31	<u>\$ 49,861</u>	<u>\$ -</u>	<u>\$ 49,861</u>

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Baltimore, Fairfield County, Ohio (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 contracts with the Basil Joint Fire District to provide fire protection.

The Village participates in three jointly governed organizations. Note 10 to the financial statements provide additional information for these entities.

These organizations are:

- 1) Fairfield County Regional Planning Commission,
- 2) Mid Ohio Regional Planning Commission, and
- 3) Basil Joint Fire District

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.

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.

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

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.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 Fund:

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

3. Capital Projects Fund

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

Reserve Fund - This fund receives proceeds from the General Fund. The accumulated resources are being used to make renovations to the Village Town Hall.

4. Enterprise Funds

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

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

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

5. Fiduciary Fund

The Fiduciary fund includes the private purpose trust fund. 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.

The Village's private purpose trust fund is for the Basil Cemetery.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. Appropriations (Continued)

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.

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 re-appropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$ 266,236	\$ 1,388,282
Total deposits	266,236	1,388,282
STAR Ohio		
Total investments	821,780	818,605
Total deposits and investments	\$ 1,088,016	\$ 2,206,887

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 658,600	\$ 586,202	\$ (72,398)
Special Revenue	420,092	389,949	(30,143)
Capital Projects	2,800	-	(2,800)
Enterprise	6,003,465	5,316,714	(686,751)
Trust	-	29	29
Total	\$ 7,084,957	\$ 6,292,894	\$ (792,063)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 709,418	\$ 624,723	\$ 84,695
Special Revenue	458,856	422,308	36,548
Capital Projects	10,915	185	10,730
Enterprise	7,473,808	6,449,814	1,023,994
Total	\$ 8,652,997	\$ 7,497,030	\$ 1,155,967

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 586,890	\$ 493,748	\$ (93,142)
Special Revenue	419,011	411,455	(7,556)
Capital Projects	36,009	-	(36,009)
Enterprise	6,893,393	5,930,422	(962,971)
Trust	-	284	284
Total	\$ 7,935,303	\$ 6,835,909	\$ (1,099,394)

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 715,011	\$ 652,901	\$ 62,110
Special Revenue	505,980	434,492	71,488
Capital Projects	36,000	25,094	10,906
Enterprise	7,467,914	5,237,057	2,230,857
Total	\$ 8,724,905	\$ 6,349,544	\$ 2,375,361

4. 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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax proceeds are allocated 57 percent to the General Fund and 43 percent to the Street Construction, Maintenance, and Repair Fund.

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (#4659)	\$ 4,993,979	2.75%
Ohio Water Development Authority Loan (#4763)	44,815	2.75%
Various Purpose Bond Anticipation Note	2,648,000	4.50%
Ohio Public Works Commission Loan (CQ18J)	253,096	0.00%
Ohio Public Works Commission Loan (CQ31K)	341,250	0.00%
Total	\$ 8,281,140	

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

The Ohio Water Development Authority (OWDA) loan #4659 relates to a sewer plant upgrade and expansion project the Ohio Environmental Protection Agency mandated. OWDA approved up to \$5,437,797 in a loan to the Village for this project. The principal amount above represents the total amount owed to date, including capitalized interest of \$95,129. OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loan has not been completely drawn, an amortization schedule for the loan is not available. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover future OWDA debt service requirements.

OWDA loan #4763 relates to a water master plan. OWDA approved \$86,673 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$9,336, including interest, over 5 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

On June 5, 2008, the Village issued a bond anticipation note for the wastewater treatment plant for \$1,786,000 which matured on June 5, 2009. On November 4, 2008, the Village issued a bond anticipation note for the east water tower and water line extension project for \$987,000 which matured on June 5, 2009. On May 21, 2009, the Village retired the full amount of the bond anticipation notes and issued a \$2,648,000 bond anticipation note. This new note matures on May 21, 2010.

The Ohio Public Works Commission (OPWC) loan CQ18J relates to the southeast lift station and force main project. OPWC approved up to \$273,000 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$6,660, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

OPWC loan CQ31K relates to the East Water Tower and Waterline Project. OPWC approved up to \$350,000 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$8,750, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

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

Year ending December 31:	OWDA Loan #4763	OPWC Loan #CQ18J	OPWC Loan CQ31K
2010	\$ 18,672	\$ 6,660	\$ 8,750
2011	18,672	13,320	17,500
2012	18,672	13,320	17,500
2013	-	13,320	17,500
2014	-	13,320	17,500
2015-2019	-	66,600	87,500
2020-2024	-	66,600	87,500
2025-2028	-	59,956	87,500
Total	<u>\$ 56,016</u>	<u>\$ 253,096</u>	<u>\$ 341,250</u>

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Retirement Systems

The Village's 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 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

9. 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.

10. Jointly Governed Organizations

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2009 and 2008, the Village's membership amount was \$576. There is no ongoing financial responsibility by the Village.

Mid Ohio Regional Planning Commission: The Village joined Mid Ohio Regional Planning Commission in June of 2009. The Village Administrator represents the Village on the Board of the Mid Ohio Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2009, the Village's membership amount was \$502. There is no ongoing financial responsibility by the Village.

Basil Joint Fire District: The Basil Joint 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.

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

11. Subsequent Events

On May 21, 2010, the Village issued \$3,085,000 in General Obligation Bonds which will mature on September 1, 2040. The bonds will be used to retire the \$2,648,000 Bond Anticipation Note and provide additional funds for a sewer line extension project.



Mary Taylor, CPA

Auditor of State

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 Village Council:

We have audited the financial statements of Village of Baltimore, Fairfield County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 26, 2010, 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

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*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 26, 2010.

We intend this report solely for the information and use of management, the finance committee, and Village Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 26, 2010

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Posting Amended Budgets	Yes	
2007-002	Financial Statements	No	Partially corrected. Reported in letter to management.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 21, 2010**