

VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of North Baltimore  
205 N. Main Street  
North Baltimore, Ohio 45872

We have reviewed the *Independent Accountants' Report* of the Village of North Baltimore, Wood County, prepared by E.S. Evans and Company, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of North Baltimore is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 22, 2010

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VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY

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# **E.S. Evans and Company**

**Certified Public Accountants**

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooper, CPA • John E. Klay, CPA

October 6, 2010

## INDEPENDENT ACCOUNTANTS' REPORT

Village of North Baltimore  
Wood County, Ohio

We have audited the accompanying financial statements of Village of North Baltimore, Wood County, (the Village) as of and for the years ended December 31, 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 or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of North Baltimore, Wood County, 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 October 6, 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 red ink, appearing to read "E. J. Green and Company".

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$191,714	\$0	\$79	\$0	\$191,793
Municipal Income Tax	556,694	0	0	0	556,694
Intergovernmental	115,464	271,164	0	0	386,628
Special Assessments	0	114,544	0	0	114,544
Charges for Services	97,726	3,230	0	0	100,956
Fines, Licenses and Permits	50,833	2,277	0	0	53,110
Earnings on Investments	111,476	258	0	0	111,734
Miscellaneous	2,743	6,816	0	0	9,559
	<u>1,126,650</u>	<u>398,289</u>	<u>79</u>	<u>0</u>	<u>1,525,018</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	463,301	514	0	0	463,815
Public Health Services	17,433	3,296	0	0	20,729
Leisure Time Activities	0	18,104	0	0	18,104
Community Environment	764	17,445	0	0	18,209
Basic Utility Service	0	3,361	0	0	3,361
Transportation	0	255,234	0	0	255,234
General Government	332,713	0	0	0	332,713
Debt Service:					
Redemption of Principal	0	22,973	0	0	22,973
Interest and Fiscal Charges	0	4,133	0	0	4,133
Capital Outlay	26,668	92,468	0	0	119,136
	<u>840,879</u>	<u>417,528</u>	<u>0</u>	<u>0</u>	<u>1,258,407</u>
Total Receipts Over/(Under) Disbursements	<u>285,771</u>	<u>(19,239)</u>	<u>79</u>	<u>0</u>	<u>266,611</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	0	0	0
Sale of Notes	0	0	0	0	0
Other Debt Proceeds	0	0	0	0	0
Transfers-In	0	95,000	0	0	95,000
Transfers-Out	(95,000)	0	0	0	(95,000)
Other Financing Sources	0	0	0	0	0
Other Financing Uses	(4,089)	0	0	0	(4,089)
	<u>(99,089)</u>	<u>95,000</u>	<u>0</u>	<u>0</u>	<u>(4,089)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	186,682	75,761	79	0	262,522
Fund Cash Balances, January 1	<u>997,902</u>	<u>716,049</u>	<u>25,337</u>	<u>5,835</u>	<u>1,745,123</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,184,584</u></b>	<b><u>\$791,810</u></b>	<b><u>\$25,416</u></b>	<b><u>\$5,835</u></b>	<b><u>\$2,007,645</u></b>
Reserve for Encumbrances, December 31	<u>\$44,706</u>	<u>\$4,459</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49,165</u>

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



**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,442,986	\$0	\$1,442,986
Miscellaneous	14,115	0	\$14,115
Total Operating Cash Receipts	<u>1,457,101</u>	<u>0</u>	<u>\$1,457,101</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	468,314	0	\$468,314
Contractual Services	334,317	0	\$334,317
Supplies and Materials	167,040	0	\$167,040
Other	100	0	\$100
Total Operating Cash Disbursements	<u>969,771</u>	<u>0</u>	<u>\$969,771</u>
Operating Income/(Loss)	<u>487,330</u>	<u>0</u>	<u>\$487,330</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	0	0	\$0
Sale of Bonds	0	0	\$0
Sale of Notes	412,925	0	\$412,925
Other Debt Proceeds	0	0	\$0
Miscellaneous Receipts	2,118	0	\$2,118
Other Non-Operating Cash Receipts	0	16,352	\$16,352
Total Non-Operating Cash Receipts	<u>415,043</u>	<u>16,352</u>	<u>\$431,395</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	854,162	0	\$854,162
Redemption of Principal	509,891	0	\$509,891
Interest and Other Fiscal Charges	195,933	0	\$195,933
Other Non-Operating Cash Disbursements	724	8,904	\$9,628
Total Non-Operating Cash Disbursements	<u>1,560,710</u>	<u>8,904</u>	<u>\$1,569,614</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(658,337)	7,448	(\$650,889)
Transfers-In	0	0	\$0
Transfers-Out	0	0	\$0
Net Receipts Over/(Under) Disbursements	(658,337)	7,448	(\$650,889)
Fund Cash Balances, January 1	<u>3,474,990</u>	<u>0</u>	<u>\$3,474,990</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,816,653</u></b>	<b><u>\$7,448</u></b>	<b><u>\$2,824,101</u></b>
Reserve for Encumbrances, December 31	<u>\$533,536</u>	<u>\$0</u>	<u>\$533,536</u>

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$186,264	\$0	\$37,012	\$0	\$223,276
Municipal Income Tax	597,745	0	0	0	597,745
Intergovernmental	52,685	535,294	0	0	587,979
Special Assessments	0	120,781	0	0	120,781
Charges for Services	81,415	2,790	0	0	84,205
Fines, Licenses and Permits	47,684	1,410	0	0	49,094
Earnings on Investments	156,604	2,630	0	0	159,234
Miscellaneous	4,814	23,189	0	0	28,003
	<u>1,127,211</u>	<u>686,094</u>	<u>37,012</u>	<u>0</u>	<u>1,850,317</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	542,345	449	0	0	542,794
Public Health Services	28,367	65	0	0	28,432
Leisure Time Activities	0	15,720	0	0	15,720
Community Environment	1,439	18,373	0	0	19,812
Basic Utility Service	0	3,361	0	0	3,361
Transportation	0	299,562	0	0	299,562
General Government	306,702	0	0	0	306,702
Debt Service:					
Redemption of Principal	0	23,384	31,000	0	54,384
Interest and Fiscal Charges	0	3,722	2,082	0	5,804
Capital Outlay	71,834	555,915	0	0	627,749
	<u>950,687</u>	<u>920,551</u>	<u>33,082</u>	<u>0</u>	<u>1,904,320</u>
Total Receipts Over/(Under) Disbursements	<u>176,524</u>	<u>(234,457)</u>	<u>3,930</u>	<u>0</u>	<u>(54,003)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Bonds	0	0	0	0	0
Sale of Notes	0	120,000	0	0	120,000
Other Debt Proceeds	0	0	0	0	0
Transfers-In	0	98,000	0	0	98,000
Transfers-Out	(98,000)	0	0	0	(98,000)
Advances-In	0	4,911	0	0	4,911
Advances-Out	(4,911)	0	0	0	(4,911)
Other Financing Sources	80	0	0	0	80
Other Financing Uses	(4,764)	0	0	0	(4,764)
	<u>(107,595)</u>	<u>222,911</u>	<u>0</u>	<u>0</u>	<u>115,316</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	68,929	(11,546)	3,930	0	61,313
Fund Cash Balances, January 1	928,973	727,595	21,407	5,835	1,683,810
<b>Fund Cash Balances, December 31</b>	<b><u>\$997,902</u></b>	<b><u>\$716,049</u></b>	<b><u>\$25,337</u></b>	<b><u>\$5,835</u></b>	<b><u>\$1,745,123</u></b>
Reserve for Encumbrances, December 31	<u>\$40,421</u>	<u>\$21,617</u>	<u>\$0</u>	<u>\$0</u>	<u>\$62,038</u>

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,660,382
Miscellaneous	14,148
	1,674,530
<b>Operating Cash Disbursements:</b>	
Personal Services	471,556
Contractual Services	319,623
Supplies and Materials	192,025
Other	100
	983,304
Operating Income/(Loss)	691,226
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental	0
Sale of Bonds	980,000
Sale of Notes	1,771
Other Debt Proceeds	0
Miscellaneous Receipts	37
Other Non-Operating Cash Receipts	0
	981,808
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	1,121,760
Redemption of Principal	202,751
Interest and Other Fiscal Charges	90,606
Other Non-Operating Cash Disbursements	736
	1,415,853
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	257,181
Transfers-In	0
Transfers-Out	0
Net Receipts Over/(Under) Disbursements	257,181
Fund Cash Balances, January 1	3,217,809
<b>Fund Cash Balances, December 31</b>	<b>\$3,474,990</b>
Reserve for Encumbrances, December 31	\$120,897

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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 North Baltimore, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire and EMS department.

The Village participates in a joint venture and a public entity risk pool. Notes 8 and 11 to the financial statements provides additional information for these entities. These organizations are:

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

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

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

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

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

**B. Accounting Basis**

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

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**1. Summary of Significant Accounting Policies – (continued)**

**C. Deposits and Investments**

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

The Village values U.S. Treasury Notes and common stock at cost. 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.

**2. Special Revenue Funds**

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

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

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

EMS Equipment Fund – This fund receives property, rollback and homestead taxes and is used to purchase EMS Equipment.

**3. Debt Service Funds**

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

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

**4. Capital Project Funds**

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**1. Summary of Significant Accounting Policies – (continued)**

**D. Fund Accounting – (continued)**

**5. Enterprise Funds**

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

Water 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.

Sludge Dewatering Facility Fund - This fund receives proceeds from a bond issuance to finance the sludge dewatering facility.

**6. Fiduciary Funds**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**1. Summary of Significant Accounting Policies – (continued)**

**E. Budgetary Process – (continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$2,069,470	\$2,162,540
Certificates of deposit	327,565	693,601
Total deposits	<u>2,397,035</u>	<u>2,856,141</u>
U.S. Treasury Notes	2,434,711	2,363,972
Total investments	<u>2,434,711</u>	<u>2,363,972</u>
Total deposits and investments	<u><u>\$4,831,746</u></u>	<u><u>\$5,220,113</u></u>

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**2. Equity in Pooled Deposits and Investments**

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

**Investments:** During 2009 and 2008, the Village invested in various U.S. Treasury Notes and are recorded at market value as reported by Charles Schwab and SJS Investments at December 31, 2009 and 2008.

**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	\$1,364,290	\$1,126,650	(\$237,640)
Special Revenue	868,536	493,289	(375,247)
Debt Service	298,610	79	(298,531)
Capital Projects	0	0	0
Enterprise	4,327,989	1,872,144	(2,455,845)
Total	\$6,859,425	\$3,492,162	(\$3,367,263)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,120,540	\$984,674	\$135,866
Special Revenue	709,477	421,987	287,490
Debt Service	0	0	0
Capital Projects	0	0	0
Enterprise	2,181,306	3,064,017	(882,711)
Total	\$4,011,323	\$4,470,678	(\$459,355)



**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**3. Budgetary Activity – (continued)**

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,820,147	\$1,127,291	(\$692,856)
Special Revenue	1,078,498	904,094	(174,404)
Debt Service	255,212	37,012	(218,200)
Capital Projects	0	0	0
Enterprise	4,765,294	2,656,338	(2,108,956)
Total	\$7,919,151	\$4,724,735	(\$3,194,416)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,212,650	\$1,093,872	\$118,778
Special Revenue	761,675	942,168	(180,493)
Debt Service	32,904	33,082	(178)
Capital Projects	0	0	0
Enterprise	2,432,168	2,520,054	(87,886)
Total	\$4,439,397	\$4,589,176	(\$149,779)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2008 by \$11,958 in the Water Capital Fund, by \$27,694 in the Sewer Equipment Fund, by \$777,000 in the Sludge Dewatering Fund, by \$200,126 in the Street Maintenance and Repaid Fund, by \$456 in the Drug Enforcement Fund, by \$92,100 in the Motor Vehicle License Fund, and by \$13,716 in the Vehicle Equipment Fund. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2009 by \$67,494 in the First Mortgage Debt OWDA Fund, by \$1,209,449 in the Sewer Equipment Fund, by \$813 in the Street Light Fund, by \$514 in the Police Uniform Fund, and by \$1,746 in the Cramer Cemetery Fund.

**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. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**5. Local Income Tax**

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village has a contract with City of Cleveland – Central Collection Agency to collect income tax on behalf of the Village.

**6. Debt**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$885,000	4.51%
Note - Ambulance	\$73,643	4.55%
Ohio Water Development Authority Loan - #1798	\$360,971	8.35%
Ohio Water Development Authority Loan - #3330	\$118,188	6.39%
Ohio Water Development Authority Loan - #2834	\$1,255,633	2.00%
Ohio Water Development Authority Loan - #3380	\$1,441,682	2.00%
Ohio Water Development Authority Loan - #3921	\$237,708	2.00%
Ohio Water Development Authority Loan - #5001	\$335,879	5.79%
Ohio Water Development Authority Loan - #5188	\$66,124	4.76%
Ohio Public Works Commission Loan - CE32B	\$47,967	0.00%
Total	<u>\$4,822,795</u>	

The Village has one outstanding general obligation bond issue at December 31, 2009. It is backed by the full faith and credit of the Village of North Baltimore and will be paid from the enterprise fund through user fees. Semi-annual payments are due on this obligation.

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

The village also has seven loans from the Ohio Water Development Authority with interest rates ranging from 2.00% to 8.35%. These loans were obtained to make improvements to the Village water and wastewater systems. Semi-annual payments are due on each loan including interest.

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**6. Debt – (continued)**

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

Note – OWDA loan #5001 and OWDA loan #5188 are still being drawn upon. The total available principal for #5001 is \$526,870.86 and for #5188 is \$595,430.47. Amortization schedules have not been prepared until the loans are finalized. It is expected that both loans will be repaid at the above applicable interest rates over a 20 year term.

Year Ending December 31	OPWC Loan	OWDA Loans	General Obligation Bonds	Bank Note	Total
2010	\$4,361	\$410,367	\$84,444	\$27,106	\$526,278
2011	4,361	410,367	87,700	27,106	\$529,534
2012	4,361	410,367	85,825	27,106	\$527,659
2013	4,361	410,367	83,888	0	\$498,616
2014	4,361	360,528	81,888	0	\$446,777
2015-2019	21,802	1,553,447	376,345	0	\$1,951,594
2020-2024	4,357	357,477	293,371	0	\$655,205
2025-2027	0	0	174,950	0	\$174,950
Total	<u>\$47,964</u>	<u>\$3,912,920</u>	<u>\$1,268,411</u>	<u>\$81,318</u>	<u>\$5,310,613</u>

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**8. Risk Management**

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

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**8. Risk Management – (continued)**

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	(\$15,310,206)	(\$17,340,825)
Retained Earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future years.

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

The Village of North Baltimore paid \$34,594 to PEP in 2008 and \$33,858 in 2009. After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's contribution. Withdrawing members have no other future obligation to sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to withdrawal.

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**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. Related Party Transactions**

A Village Council member's brother is the Utility Superintendent for the Village. Their father provides sanitation services for the Village and has for over the past 40 years. The Village paid \$11,980 and \$9,480 for 2009 and 2008, respectively for these sanitation services.

**11. Joint Ventures**

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

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

**12. Subsequent Events**

The Village is currently undergoing Phase II of the separation of the Village's Combined Sewer System. Total project costs are estimated at \$8,689,892 with funding anticipated to be \$500,000 in the form of CDBG and the remainder to be paid by USDA/RD funds along with any further grants the Village is able to obtain.

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

**12. Subsequent Events – (continued)**

The Village passed two ordinances regarding increasing water and sewer rates in which the increases took effect July 1, 2010, 2011, 2012, and 2013. However, Village residents presented valid petitions to repeal these ordinances. These petitions will appear on the ballot at the General Election on November 2, 2010. The Village has filed a declaratory judgment suit that the result of this at the General Election should not be allowed to go into effect. It is not anticipated that the pending suit will result in any monetary judgment against the Village.

**13. Accountability and Compliance**

Contrary to the Ohio Administrative Code, the Village did not properly complete a cash-basis financial statement for the years ending December 31, 2008 and 2009.

**14. Financial Statement Presentation**

For the year ending December 31, 2007, the Village reported their financial statements utilizing GAAP presentation on the Cash-34 reporting method. Effective January 1, 2008, the Village elected to report their financial statements on the regulatory cash-basis method. In addition, at December 31, 2007, the Village had \$113,661 of permanent cemetery endowment funds on their books. Upon further investigation and research by the Village, these funds were reclassified on January 1, 2008 to special revenue funds.

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# **E.S. Evans and Company**

**Certified Public Accountants**

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooker, CPA • John E. Klay, CPA

October 6, 2010

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

Village of North Baltimore  
Wood County, Ohio

We have audited the financial statements of Village of North Baltimore, Wood County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 6, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.



### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 6, 2010.

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

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

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

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Material Weakness/Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) states that no money is to be expended unless it has been appropriated. We found that expenditures exceeded appropriation in the Cemetery Cramer Endowment Fund by \$1,746, First Mortgage Debt (OWDA) Fund by \$67,494, Sewer Equipment Fund by \$1,209,449, Street Light Fund by \$813, and Police Uniform Fund by \$514 for the year ended December 31, 2009. In addition, expenditures exceeded appropriations in the Water Capital Fund by \$11,958, the Sewer Equipment Fund by \$27,694, the Sludge Dewatering Fund by \$777,000, the Street Maintenance and Repair Fund by \$200,126, the Drug Enforcement Fund by \$456, the Motor Vehicle License Fund by \$92,100, and the Vehicle Equipment Fund by \$13,716 for the year ended December 31, 2008.

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

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

Village's Response: The Village understands and will more closely monitor this requirement.

**FINDING NUMBER 2009-002**

**Material Weakness**

Ohio Administrative Code Sections 117-2-03 states that pursuant to Section 117.38 of the Ohio Revised Code, all public offices must file an annual report. We found that the annual report filed with the Auditor of State was not accurately prepared and contained significant misstatements. Numerous journal entries were prepared in order to properly reflect the financial activity of the Village in the accounting records as well as on the financial statements. The cash reports filed by the village were not substantially complete financial statements for 2008 and 2009.

**VILLAGE OF NORTH BALTIMORE  
WOOD COUNTY**

**SCHEDULE OF FINDINGS – (CONTINUED)  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-002 – (CONTINUED)**

The Village should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

The following material errors were noted in the recording of the Village's transactions for 2009 and 2008:

- In 2009, \$23,360 was reclassified to an agency fund to properly reflect the Township and JEDD share of the income tax collected and paid out.
- In 2009, a \$33,964 entry was made to record interest earned on a Certificate of Deposit into the general fund of the Village.
- In 2008, a \$777,000 entry was made to remove the duplication of proceeds from sale of bonds that was accounted for in 2 separate enterprise funds.
- In 2008, a \$250,000 entry was made to account for an "on-behalf-of" grant paid by the County in Fund 201.
- In 2009, a \$42,532 entry was made to correctly account for debt payments made between principal and interest in Fund 511.
- In 2008 and 2009, entries were made for \$85,813 and \$81,444, respectively to properly reflect bond payments made as principal and interest, not capital outlay.
- In 2009, a \$63,694 entry was made in Fund 475 to record OWDA payments directly to contractors and capitalized interest on a loan.
- In 2009, a \$349,230 entry was made to correctly categorize this as OWDA loan proceeds, not intergovernmental receipts.

The failure to correctly record receipts and disbursements may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions as a result of erroneous records, may conceal illegal transactions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accounting records and accompanying financial statements have been adjusted to correctly reflect this financial activity.

The Village Finance Officer should review the Ohio Village Manual, and the Auditor of State Audit Bulletins 2000-008 and 2002-004 for guidance in the recording of financial activity. The Village's Finance Officer and Council Members should also perform a periodic review of the financial records and financial statements to help identify financial recording errors.

Village's Response: The Village Finance Officer understands and will correct these problems.

VILLAGE OF NORTH BALTIMORE  
WOOD 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; <b><i>Explain</i></b>
NONE			



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF NORTH BALTIMORE**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 6, 2011**