

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Village of North Baltimore, Wood County, prepared by E.S. Evans and Company, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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BETTY MONTGOMERY
Auditor of State

December 19, 2006

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VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT -----	PAGE	1
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES - FOR THE YEAR ENDED DECEMBER 31, 2004-----		4
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES – FOR THE YEAR ENDED DECEMBER 31, 2004-----		7
NOTES TO FINANCIAL STATEMENTS -----		9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <u>GOVERNMENT AUDITING STANDARDS</u> -----		21
SCHEDULE OF FINDINGS- -----		23
SCHEDULE OF PRIOR AUDIT FINDINGS -----		24

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E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

June 29, 2006

INDEPENDENT AUDITOR'S REPORT

Village of North Baltimore
Wood County, Ohio

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position or cash flows of its proprietary funds for the year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 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.

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VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2004

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Cash Receipts:</u>			
Property Tax and Other Local Taxes	\$ 120,632	\$ -	\$ 69,570
Municipal Income Tax	552,474	-	-
Intergovernmental Revenues	166,503	147,681	-
Special Assessments	-	104,369	-
Charges for Services	39,590	3,283	-
Fines, Licenses, and Permits	24,188	808	-
Interest Revenues	30,166	-	-
Miscellaneous	5,987	1,150	-
Total Cash Receipts	939,540	257,291	69,570
<u>Cash Disbursements:</u>			
Current -			
Security of Persons and Property	477,741	175	-
Public Health Services	30,811	-	-
Leisure Time Activities	-	23,195	-
Community Environment	7,792	13,328	-
Basic Utility Services	-	26,610	-
Transportation	-	170,494	-
General Government	205,433	-	-
Capital Outlay	90,012	30,676	-
Debt Service:			
Redemption of Principal	-	-	78,363
Interest and Other Fiscal Charges	-	-	12,566
Total Cash Disbursements	811,789	264,478	90,929
Total Cash Receipts Over/(Under)			
Cash Disbursements	127,751	(7,187)	(21,359)
Other Financing Sources/(Uses):			
Other Sources	38	34,000	-
Other Uses	(2,325)	(30,000)	-
Sale of Notes	-	-	-
Transfers-In	-	111,000	9,516
Transfers-Out	(120,516)	-	-
Total Other Financing Sources/(Uses)	(122,803)	115,000	9,516
Excess of Cash Receipts and Other Financing Sources Over/(Under)			
Cash Disbursements	4,948	107,813	(11,843)
Fund Cash Balance - January 1, 2004 - Restated - Note 9	685,257	427,474	84,745
Fund Cash Balance - December 31, 2004	\$ 690,205	\$ 535,287	\$ 72,902
Reserve for Encumbrances, December 31, 2004	\$ 23,325	\$ 4,980	\$ -

The accompanying notes are an integral part
of these financial statements.

Governmental Fund Type	Totals (Memorandum Only)
Capital Projects	
\$ -	\$ 190,202
-	552,474
111,985	426,169
-	104,369
-	42,873
-	24,996
-	30,166
-	7,137
111,985	1,378,386
-	477,916
-	30,811
-	23,195
-	21,120
-	26,610
-	170,494
-	205,433
617,132	737,820
-	78,363
-	12,566
617,132	1,784,328
(505,147)	(405,942)
-	34,038
-	(32,325)
289,787	289,787
-	120,516
-	(120,516)
289,787	291,500
(215,360)	(114,442)
221,195	1,418,671
\$ 5,835	\$ 1,304,229
\$ -	\$ 28,305

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VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPES AND
SIMILAR FIDUCIARY FUND TYPES

For the Year Ended December 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<u>Operating Cash Receipts:</u>			
Charges for Services	\$ 1,456,742	\$ -	\$ 1,456,742
Interest	-	709	709
Miscellaneous	4,988	-	4,988
Total Operating Cash Receipts	1,461,730	709	1,462,439
<u>Operating Cash Disbursements:</u>			
Personal Services	416,768	159	416,927
Travel Transportation	1,880	-	1,880
Contractual Services	282,923	60	282,983
Material and Supplies	145,050	-	145,050
Capital Outlay	460,371	-	460,371
Total Operating Cash Disbursements	1,306,992	219	1,307,211
Excess of Operating Cash Receipts Over/ (Under) Operating Cash Disbursements	154,738	490	155,228
<u>Non-Operating Cash Receipts/(Disbursements):</u>			
Donations	200,000	-	200,000
Intergovernmental Receipts	149,000	-	149,000
Miscellaneous Receipts	874	-	874
Miscellaneous Disbursements	(1,388)	-	(1,388)
Debt Service -			
Principal	(236,823)	-	(236,823)
Interest	(170,377)	-	(170,377)
Total Non-Operating Cash Receipts/(Disb)	(58,714)	-	(58,714)
Excess of Net Cash Receipts Over/(Under) Disbursements	96,024	490	96,514
<u>Fund Cash Balance - Jan. 1, 2004 - Restated - Note 9</u>	2,758,100	110,466	2,868,566
<u>Fund Cash Balance - Dec. 31, 2004</u>	\$ 2,854,124	\$ 110,956	\$ 2,965,080
<u>Reserve for Encumbrances, December 31, 2004</u>	\$ 50,125	\$ -	\$ 50,125

The accompanying notes are an integral part
of these financial statements.

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VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 - Summary of Significant Accounting Policies

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 political and corporate body. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including public safety, street maintenance, and water and sewer facilities.

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

Basis of Accounting

These financial statements follow the accounting basis prescribed or permitted by the Auditor of State. This basis is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

Cash and Investments

The Village maintains checking accounts, savings accounts, certificates of deposits, a sweep account , and a Farmer's Home Loan Mortgage Corporation Note which are all valued at cost.

Fund Accounting

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

General Fund

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds

The Special Revenue Funds account for proceeds from specific sources (other than 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 construction, maintaining and repairing Village streets.

Parks & Recreation Fund – This fund receives money from donations and shelter house rentals to maintain the local community park.

Permissive Motor Vehicle License Fund – This fund receives the proceeds of a levied license fee for constructing, maintaining, and repairing roads.

Street Cleaning Assessment Fund – This fund receives assessments levied by the Village through the County in order to clean the Village streets.

Street Lighting Assessment Fund – This fund receives assessments levied by the Village through the County in order to maintain and provide street lighting on Village streets.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Grant Construction Fund - This fund accounts for CDBG grants that were used for the Water Tower Project.

Issue II Grant Fund – This fund was used to account for the OWDA loan proceeds that were used for the Wastewater Treatment Plant project.

Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Debt Service Funds – (continued)

EMS Equipment Debt Fund - This fund is responsible for collecting tax revenues to repay the debt on the Village ambulance.

Fire Equipment Debt Fund - This fund is responsible for collecting tax revenues to repay the debt on a Village Fire Truck.

Enterprise Funds

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

Water Utility Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Wastewater Utility Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

First Mortgage Debt Service Fund – This fund transfers money in to pay the related debt of the Village within the enterprise fund activities.

Water Equipment Replacement Fund – This fund transfers money in to pay for various needed equipment in the water department.

Wastewater Equipment Replacement Fund – This fund transfers money in to pay for various needed equipment in the waste water department.

Water Capital Improvement Reserve Fund – This fund collects a portion of monthly billings to pay for future needed water improvements in the Village.

Wastewater Capital Improvement Reserve Fund – This fund collects a portion of monthly billings to pay for future needed wastewater improvements in the Village.

Non-Expendable Trust Funds

Non-Expendable Trust funds are used to account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 - Summary of Significant Accounting Policies - (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted.

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.

Appropriations

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated in the subsequent year.

A summary of 2004 budgetary activity appears in Note 3.

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.

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.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 2 – Equity in Pooled Cash

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

		2004
Demand Deposits	\$	<u>4,169,762</u>
U.S. Government Obligation		<u>99,547</u>
		<u><u>4,269,309</u></u>

Deposits are insured by the Federal Depository Insurance Corporation, collateralized by the financial institution's public entity deposit pool, or backed by the credit and faith of the United States Government.

Note 3 – Budgetary Activity

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

<u>2004 Budgeted vs. Actual Receipts</u>					
<u>Fund Type</u>		<u>Budgeted</u>	<u>Actual</u>		<u>Variance</u>
	\$	Receipts	Receipts	\$	
General	\$	1,548,341	\$	939,578	\$ (608,763)
Special Revenue		725,434		402,291	(323,143)
Debt Service		285,784		79,086	(206,698)
Capital Projects		327,345		401,772	74,427
Enterprise		4,512,449		1,811,604	(2,700,845)
Non-Expendable Trust		111,131		709	(110,422)
	\$	<u>7,510,484</u>	\$	<u>3,635,040</u>	<u>\$ (3,875,444)</u>

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 3 – Budgetary Activity – (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,164,948	\$ 957,955	\$ 206,993
Special Revenue	488,884	299,458	189,426
Debt Service	92,502	90,929	1,573
Capital Projects	650,345	617,132	33,213
Enterprise	2,191,464	1,765,705	425,759
Non-Expendable Trust	1,775	219	1,556
	\$ 4,589,918	\$ 3,731,398	\$ 858,520

Contrary to Ohio law, appropriations exceeded estimated resources in the OWDA Project Fund (Capital Projects Fund) by \$323,000 for 2004.

Contrary to Ohio law, the non-expendable trust principal balances were included in the certification of available revenue. The amount that should have been excluded were \$79,000 in the Cramer Cemetery Endowment Fund and \$13,801 in the Zarb Cemetery Endowment Fund.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 4 - Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

Note 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 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.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 6 - Debt Obligations

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Back Hoe	\$ 8,866	3.50%
General Obligation Bonds - Fire Truck	116,000	4.85%
General Obligation Note - Ambulance	-	5.50%
Ohio Public Works Commission - CE32B	67,589	0.00%
Ohio Water Development Authority Note - #1798	636,065	8.35%
Ohio Water Development Authority Note - #3330	152,274	6.39%
Ohio Water Development Authority Note - #2834	1,796,137	2.00%
Ohio Water Development Authority Note - #3380	1,947,906	2.00%
Ohio Water Development Authority Note - #3921	<u>273,987</u>	2.00%
Total	<u>\$ 4,998,824</u>	

The Village has two outstanding general obligation bond issues at December 31, 2004. These are backed by the full faith and credit of the Village of North Baltimore and will be paid from the Debt Service Fund with property tax revenues collected for the purpose of these bonds. Interest rates range from 3.5% to 4.85%.

The Ohio Public Works Commission loan is a 20 year interest-free loan requiring semi-annual payments in the amount of \$2,180. The proceeds of this loan was used for water treatment plant improvements.

The Village also has five loans from the Ohio Water Development Authority with interest rates ranging from 2.00% to 8.25%. These loans were obtained to make improvements to the Village water and wastewater systems, including the construction of a new water tower and reservoir. Semi-annual payments are due on each loan including interest. Terms of these loans range from 20 to 25 years.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 6 - Debt Obligations - (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$1,045,718 are scheduled as follows:

<u>Year Ending December 31,</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Bonds</u>	<u>TOTAL</u>
2005	\$ 407,824	\$ 4,361	\$ 41,802	\$ 453,987
2006	408,453	4,361	32,316	445,130
2007	409,134	4,361	32,958	446,453
2008	409,872	4,361	32,504	446,737
2009	410,672	4,361	-	415,033
2010-2014	2,018,057	21,805	-	2,039,862
2015-2019	1,494,089	21,805	-	1,515,894
2020-2024	279,272	2,174	-	281,446
2025-2029	-	-	-	-
	<u>\$ 5,837,373</u>	<u>\$ 67,589</u>	<u>\$ 139,580</u>	<u>\$ 6,044,542</u>

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Note 7 – Retirement Systems

Ohio Public Employees Retirement System (OPERS)

The Village's employees, excluding the Village's uniformed Police employees, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

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

Police and Firemen's Disability and Pension Fund

The Village's uniformed police employees participate in the police and firemen's disability and pension fund. This is a multi-employer cost sharing public employees' retirement system created by the State of Ohio. The fund provides pension disability and health care to qualified police personnel and survivors and death benefits to qualified spouses, children and dependent parents.

Employees contribute 10.0 percent of gross salaries and the employer contributes 19.5 percent of gross salaries. The Village has paid all required contributions through December 31, 2004.

Note 8 - Risk Management

The Village belongs to the Ohio Government Risk Management Plan ("the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carries, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 or property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 8 - Risk Management – (continued)

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and Member's Equity at December 31, 2004:

		<u>2004</u>
Assets	\$	6,685,522
Liabilities		<u>2,227,808</u>
Member's Equity	\$	<u><u>4,457,714</u></u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Note 9 – Prior Period Restatement

At December 31, 2003, the fund cash balance in the General Fund was overstated by \$27,796. This overstatement was the result of petty cash on the books in the amount of \$200 that does not exist, as well as \$27,596 in outstanding payroll checks that were not included in the fund cash balance reconciliation.

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

June 29, 2006

**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 the Village of North Baltimore, Wood County, Ohio, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 29, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of North Baltimore's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a 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 being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2004-001 listed above to be a material weakness. In a separate letter to the Village of North Baltimore's management dated June 29, 2006, we reported other matters involving internal control over financial reporting that we did not deem to be reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village of North Baltimore'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 that we must report under Government Auditing Standards. In a separate letter to the Village of North Baltimore's management dated June 29, 2006, we reported other matters related to noncompliance which we deemed immaterial.

We intend this report solely for the information and use of management of the Village of North Baltimore and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

SCHEDULE OF FINDINGS
December 31, 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2004-001 – Internal Control/Reportable Condition

The Village maintains a zero-balance bank account for payroll. During the course of the audit, it was found that this account was being reflected as a zero-balance on the cash reconciliation, but that any outstanding checks were not being accounted for as a reduction of the fund cash balance. Instead, on the monthly reconciliations, an adjustment was made through miscellaneous revenue in the General Fund for the difference between the transfers in and the transfers out of the payroll fund in order to balance the books to the bank.

We recommend that the Village Finance Officer accurately prepare the bank reconciliations and properly reflect all activity on the books. We also recommend that these reconciliations be reviewed monthly by someone independent of the daily financial activity, such as the Mayor or Administrator.

VILLAGE RESPONSE – The Village recognizes this issue and is currently working to resolve it.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
	NONE		



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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 2, 2007**