



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Village of Baltimore, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Village of Baltimore, Fairfield County, Ohio as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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JIM PETRO
Auditor of State

July 31, 2002

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**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$284,673	\$186,245	\$0	\$0	\$0	\$470,918
Intergovernmental Receipts	105,764	98,842	0	0	0	204,606
Charges for Services	7,560	0	0	0	0	7,560
Fines, Licenses, and Permits	16,668	90	0	0	0	16,758
Miscellaneous	71,874	5,391	0	0	0	77,265
Total Cash Receipts	486,539	290,568	0	0	0	777,107
Cash Disbursements:						
Current:						
Security of Persons and Property	145,430	0	0	0	0	145,430
Public Health Services	18,056	0	0	0	0	18,056
Leisure Time Activities	26,536	0	0	0	0	26,536
Community Environment	14,103	0	0	0	0	14,103
Transportation	0	193,245	0	0	0	193,245
General Government	100,259	34,656	0	0	0	134,915
Debt Service	1,143	0	0	343,000	0	344,143
Capital Outlay	84,079	85,572	0	89,266	0	258,917
Total Cash Disbursements	389,606	313,473	0	432,266	0	1,135,345
Total Receipts Over / (Under) Disbursements	96,933	(22,905)	0	(432,266)	0	(358,238)
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes	0	0	0	468,000	0	468,000
Transfers-Out	(140,000)	0	0	0	0	(140,000)
Total Other Financing Receipts/(Disbursements)	(140,000)	0	0	468,000	0	328,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(43,067)	(22,905)	0	35,734	0	(30,238)
Fund Cash Balances, January 1	684,433	213,809	2,175	36,542	2,370	939,329
Fund Cash Balances, December 31	\$641,366	\$190,904	\$2,175	\$72,276	\$2,370	\$909,091
Reserves for Encumbrances, December 31	\$9,190	\$550	\$0	\$21,275	\$0	\$31,015

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 BALANCE -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$618,314	\$0	\$0	\$618,314
Total Operating Cash Receipts	618,314	0	0	618,314
Operating Cash Disbursements:				
Personal Services	295,853	0	0	295,853
Fringe Benefits	500	0	0	500
Contractual Services	66,461	0	0	66,461
Supplies and Materials	76,790	0	0	76,790
Capital Outlay	75,224	0	0	75,224
Total Operating Cash Disbursements	514,828	0	0	514,828
Operating Income / (Loss)	103,486	0	0	103,486
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	5,800	379	9,565	15,744
Total Non-Operating Cash Receipts	5,800	379	9,565	15,744
Non-Operating Cash Disbursements:				
Debt Service	285,086	0	0	285,086
Other Non-Operating Cash Disbursements	3,258	0	9,565	12,823
Total Non-Operating Cash Disbursements	288,344	0	9,565	297,909
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(179,058)	379	0	(178,679)
Transfers-In	140,000	0	0	140,000
Net Receipts Over / (Under) Disbursements	(39,058)	379	0	(38,679)
Fund Cash Balances, January 1	675,967	23,881	0	699,848
Fund Cash Balances, December 31	\$636,909	\$24,260	\$0	\$661,169
Reserve for Encumbrances, December 31	\$23,329	\$0	\$0	\$23,329

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 TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$271,501	\$199,991	\$0	\$0	\$0	\$471,492
Intergovernmental Receipts	194,279	100,948	0	0	0	295,227
Charges for Services	7,440	0	0	0	0	7,440
Fines, Licenses, and Permits	17,796	60	0	0	0	17,856
Miscellaneous	169,033	9,115	0	0	0	178,148
Total Cash Receipts	660,049	310,114	0	0	0	970,163
Cash Disbursements:						
Current:						
Security of Persons and Property	127,837	0	0	0	0	127,837
Public Health Services	15,531	0	0	0	0	15,531
Leisure Time Activities	21,851	0	0	0	0	21,851
Community Environment	10,997	0	0	0	0	10,997
Transportation	0	175,609	0	0	0	175,609
General Government	131,531	28,266	0	0	0	159,797
Debt Service	80,000	0	0	443,021	0	523,021
Capital Outlay	18,617	158,444	0	213,075	0	390,136
Total Cash Disbursements	406,364	362,319	0	656,096	0	1,424,779
Total Receipts Over / (Under) Disbursements	253,685	(52,205)	0	(656,096)	0	(454,616)
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes	0	0	0	443,021	0	443,021
Transfers-Out	(150,000)	0	0	0	0	(150,000)
Total Other Financing Receipts/(Disbursements)	(150,000)	0	0	443,021	0	293,021
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	103,685	(52,205)	0	(213,075)	0	(161,595)
Fund Cash Balances, January 1	580,748	266,014	2,175	249,617	2,370	1,100,924
Fund Cash Balances, December 31	\$684,433	\$213,809	\$2,175	\$36,542	\$2,370	\$939,329
Reserves for Encumbrances, December 31	\$23,537	\$14,421	\$0	\$0	\$0	\$37,958

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 BALANCE -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$566,319	\$0	\$0	\$566,319
Total Operating Cash Receipts	566,319	0	0	566,319
Operating Cash Disbursements:				
Personal Services	250,629	0	0	250,629
Fringe Benefits	175	0	0	175
Contractual Services	82,659	0	0	82,659
Supplies and Materials	82,990	0	0	82,990
Capital Outlay	44,952	0	0	44,952
Total Operating Cash Disbursements	461,405	0	0	461,405
Operating Income / (Loss)	104,914	0	0	104,914
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	1,800	935	7,408	10,143
Total Non-Operating Cash Receipts	1,800	935	7,408	10,143
Non-Operating Cash Disbursements:				
Debt Service	103,274	0	0	103,274
Other Non-Operating Cash Disbursements	4,724	0	7,408	12,132
Total Non-Operating Cash Disbursements	107,998	0	7,408	115,406
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(1,284)	935	0	(349)
Transfers-In	150,000	0	0	150,000
Net Receipts Over / (Under) Disbursements	148,716	935	0	149,651
Fund Cash Balances, January 1	527,251	22,946	0	550,197
Fund Cash Balances, December 31	\$675,967	\$23,881	\$0	\$699,848
Reserve for Encumbrances, December 31	\$655	\$0	\$0	\$655

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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Baltimore, Fairfield County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash 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.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded as share values reported by the mutual fund. The Village also invests in an overnight repurchase agreement with the depository. The value of the repurchase agreement is the cost of the investment.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Projects Fund

This fund is 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 projects fund:

Pool Renovation Construction Fund - This fund is used to account for pool renovations made during the period.

5. Enterprise Funds

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

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds) (Continued)

Basil Cemetery Fund (Non-Expendable Trust) – This fund earns interest from bequests to be used for the care and upkeep of cemeteries.

Mayor's Court (Agency Fund) - This fund is used to account for the receipts and disbursements made by the mayor's court.

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. The 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. PRIOR PERIOD ADJUSTMENT

In 1999, a special assessment tax receipt was incorrectly posted into the Debt Service Fund type. The error was noted during the prior audit, but was not adjusted on the financial statements. Village officials concurred with the prior auditors and the Clerk/Treasurer made the adjustment to the Village records in 2000.

The adjustment made by the Village had the following effect on the fund balance as it was previously reported as of December 31, 1999.

	<u>General</u>	<u>Debt Service</u>
Reported Balance as of December 31, 1999	\$ 579,884	\$ 3,039
Adjustment	<u>864</u>	<u>(864)</u>
Restated Balances as of January 1, 2000	<u>\$ 580,748</u>	<u>\$ 2,175</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$10,860</u>	<u>(\$1,462)</u>
Total deposits	<u>10,860</u>	<u>(1,462)</u>
STAR Ohio	671,983	642,933
Repurchase agreement	<u>887,417</u>	<u>997,706</u>
Total investments	<u>1,559,400</u>	<u>1,640,639</u>
Total deposits and investments	<u><u>\$1,570,260</u></u>	<u><u>\$1,639,177</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$494,700	\$486,539	(\$8,161)
Special Revenue	258,100	290,568	32,468
Debt Service	0	0	0
Capital Projects	0	468,000	468,000
Enterprise	805,000	764,114	(40,886)
Fiduciary	1,000	379	(621)
Total	\$1,558,800	\$2,009,600	\$450,800

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$687,663	\$538,796	\$148,867
Special Revenue	360,666	314,023	46,643
Debt Service	2,175	0	2,175
Capital Projects	161,542	453,541	(291,999)
Enterprise	1,153,132	826,501	326,631
Fiduciary	9,300	0	9,300
Total	\$2,374,478	\$2,132,861	\$241,617

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$500,597	\$660,049	\$159,452
Special Revenue	259,100	310,114	51,014
Debt Service	0	0	0
Capital Projects	0	443,021	443,021
Enterprise	731,300	718,119	(13,181)
Fiduciary	1,000	935	(65)
Total	\$1,491,997	\$2,132,238	\$640,241

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$825,638	\$579,901	\$245,737
Special Revenue	441,046	376,740	64,306
Debt Service	2,175	0	2,175
Capital Projects	692,638	656,096	36,542
Enterprise	1,046,708	570,058	476,650
Fiduciary	9,300	0	9,300
Total	<u>\$3,017,505</u>	<u>\$2,182,795</u>	<u>\$834,710</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Pool Renovation fund by \$310,000 for the year ended December 31, 2001.

5. PROPERTY TAX

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

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.

6. 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.

7. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 1999	\$119,455	3.20%
Swimming Pool Renovation Bond Anticipation Note	343,000	3.27%
Wastewater Pipe Replacement Bond Anticipation Note	125,000	4.90%
Total	<u>\$587,455</u>	

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. DEBT (Continued)

The Ohio Water Development Authority (OWDA) 1999 Loan:

This loan relates to a water and sewer plant expansion project for the design phase of the proposed project. The OWDA has approved up to \$285,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$31,068, including interest, over 20 years. The scheduled payment amount below assumes that \$285,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Swimming Pool Renovation Bond Anticipation Notes:

This note relates to a major renovation and upgrade of the Village pool. The Note will be paid annually from the general revenues of the Village. The Village anticipates issuing bonds to pay the debt for the pool in the long term.

Wastewater Pipe Replacement Bond Anticipation Notes:

This note relates to the repair and replacement of a section of the wastewater pipes within the Village. This note will be paid annually from the general revenues of the Village. The Village anticipates issuing bonds, to pay the debt for the pipe replacement project in the long term.

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

	1999 OWDA Loan	General Obligation Notes
Year ending December 31:		
2002	\$31,068	\$468,000
2003	62,135	0
Subsequent	31,068	0
Total	\$124,271	\$468,000

8. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. 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 insurance to full-time employees through a private carrier.

10. CONTINGENT LIABILITIES

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

11. SUBSEQUENT EVENTS

In 2002, the Village has been awarded \$262,000 in Ohio Public Works (Issue 2) funding for replacement of waterlines and inserting valves in main water lines.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the Village of Baltimore, Fairfield County, Ohio (the Village), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated July 31, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2001-30623-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 31, 2001.

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

JIM PETRO
Auditor of State

July 31, 2002

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30623-001

Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a Village from making expenditures unless it has been properly appropriated.

At December 31, 2001, expenditures exceeded appropriations in the Pool Renovation fund by \$310,000. The variance resulted from not appropriating and recording the re-issuance of the bond anticipation notes issued during the year.

The Village should ensure that all activity associated with the issuance of bonds and notes are included in appropriations and accurately recorded in the ledgers of the Village.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30623-001	Revised Code 5705.41(D), failure to certify funds	Partially corrected.	Significant progress has been made by Village in complying with the prior audit finding and has been moved to the management letter this audit.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF BALTIMORE

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 27, 2002**