

VILLAGE OF NORTH BALTIMORE

AUDIT REPORT

For the Year Ending December 31, 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
Village of North Baltimore
205 North Main Street
North Baltimore, Ohio 45872-1126

We have reviewed the Independent Auditor's Report of the Village of North Baltimore, Wood County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 to December 31, 2003. 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.

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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 29, 2004

VILLAGE OF NORTH BALTIMORE

Audit Report

For the year ending December 31, 2003

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VILLAGE OF NORTH BALTIMORE
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For the year ending December 31, 2003

ELECTED OFFICIALS

<u>ELECTED OFFICIAL</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
Donald Hendren	Mayor	1/1/00 - 12/31/03	(A)
Harold Bower	Council- President	1/1/00 - 12/31/03	(B)
Arlouween Harmon	Council	1/1/02 - 12/31/05	(B)
Marc Findley	Council	1/1/00 - 12/31/03	(B)
Mike Julian	Council	1/1/02 - 12/31/05	(B)
Jeff Bretz	Council	9/17/02-12/31/05	(B)
Bob Hartingan	Council	1/1/02 - 12/31/05	(B)
Becky J. Walter	Clerk-Treasurer	4/1/00 - 03/31/04	(A)

(A) Hylant MacLean Insurance Co. in the amount of \$25,000

(B) Western Surety Company in the amount of \$25,000

Village Solicitor

Chester Marcin
440 East Poe Road
Bowling Green, Ohio 43402

VILLAGE OF NORTH BALTIMORE
AUDIT REPORT
For the year ending December 31, 2003

ADMINISTRATIVE OFFICIALS

<u>APPOINTED OFFICIALS</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>
Kenneth Sauer	Administrator	Continuous	
Chasity McCartney	Finance Officer	Continuous	(A)
Gerald Perry	Police Chief	Continuous	
Donald Baltz	Fire Chief	Continuous	

(A) Hylant MacLean Insurance Co. in the amount of \$25,000

VILLAGE OF NORTH BALTIMORE
AUDIT REPORT
For the year ended December 31, 2003

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Types:

General Fund

Special Revenue Fund Types:

Street Construction, Maintenance and Repair Fund

Street Highway Improvement Fund

Parks and Recreation Fund

Cemetery Maintenance

Law Enforcement Fund

Permissive Motor Vehicle License Fund

Enforcement and Education Fund

EMS Equipment Fund

Street Equipment Fund

Recycling Grant (Wood Chip and Bin) Fund

County Litter Grant Fund

County Litter

Tree Maintenance Fund

Street Cleaning Fund

Street Lighting Fund

3rd Street Sewer

Debt Service Funds:

General Obligation Bond Fund

Municipal Building Fund

EMS Equipment Debt Fund

Fire Equipment Debt Fund

Street Debt

Capital Projects Funds:

Electric Operation

FIDUCIARY FUND TYPES

Non-Expendable Trust Funds:

Zarb Cemetery Endowment Fund

Cramer Cemetery Endowment Fund

VILLAGE OF NORTH BALTIMORE
AUDIT REPORT
For the year ended December 31, 2003

INDEX OF FUNDS - (continued)

PROPRIETARY FUND TYPES:

Enterprise Funds:

Water Utility Operating Fund
Wastewater Utility Operating Fund
1st Mortgage Debt Service Fund
Utilities Guarantee Deposit Fund
Water/Wastewater Improvement Fund
Water Capital Improvement Reserve Fund
Wastewater Capital Improvement Reserve Fund
Wastewater Capital Equipment Replacement Fund
Reservoir Construction Fund
Notes Payable - Reservoir Fund
Notes Payable - BANS Land Fund
Valve Grant Fund

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Certified Public Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members
of Village Council
Village of North Baltimore
North Baltimore, Ohio

We have audited the accompanying financial statements of the Village of North Baltimore (the Village), as of and for the year ended December 31, 2003, as listed in the table of contents. 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 a 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 cash, investments and fund cash balances of the Village, as of December 31, 2003, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2004 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 management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
April 2, 2004

VILLAGE OF NORTH BALTIMORE
 COMBINED STATEMENT OF CASH, INVESTMENTS, AND FUND
 CASH BALANCES - ALL FUND TYPES
 December 31, 2003

Cash and Cash Equivalents	\$ 4,121,885
Investments	<u>193,148</u>
 Total	 <u><u>\$ 4,315,033</u></u>

CASH BALANCES BY FUND CLASS

Governmental Funds:	
General	\$ 713,053
Special Revenue	427,474
Debt Service	84,745
Capital Projects	<u>221,195</u>
 Total Governmental Funds	 1,446,467
 Proprietary Funds:	
Enterprise Funds	<u>2,758,100</u>
 Total Enterprise Funds	 2,758,100
 Fiduciary Funds:	
Non - Expendable Trust	<u>110,466</u>
 Total Fiduciary Funds	 <u>110,466</u>
 Total	 <u><u>\$ 4,315,033</u></u>

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

VILLAGE OF NORTH BALTIMORE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Receipts:</i>					
Local Taxes	\$ 682,826	-	\$ 70,421	-	\$ 753,247
Intergovernmental	91,254	\$ 147,877	-	\$ 554,864	793,995
Special Assessments	-	108,726	-	-	108,726
Charges for Services	54,899	3,876	-	-	58,775
Fines, Licenses, and Permits	87,660	7,802	-	-	95,462
Interest	25,426	-	-	-	25,426
Miscellaneous	7,748	4,756	-	-	12,504
Total Receipts	949,813	273,037	70,421	554,864	1,848,135
<i>Disbursements:</i>					
Security of Persons & Property	477,973	150	-	-	478,123
Public Health Services	24,847	-	-	-	24,847
Leisure Time Activities	-	40,583	-	-	40,583
Community Environment	2,635	13,280	-	-	15,915
Basic Utility Services	-	26,344	-	-	26,344
Transportation	-	241,166	-	-	241,166
General Government	215,470	-	-	-	215,470
Capital Outlay	267,215	84,327	-	347,746	699,288
Debt Service:					
Principal	-	-	46,867	-	46,867
Interest	-	-	11,899	-	11,899
Total Disbursements	988,140	405,850	58,766	347,746	1,800,502
Total Receipts Over/ (Under) Disbursements	(38,327)	(132,813)	11,655	207,118	47,633
<i>Other Financing Sources/(Uses):</i>					
Proceeds of O.W.D.A. Loans	-	-	-	8,242	8,242
Transfers-In	-	125,344	9,516	-	134,860
Transfers-Out	(134,860)	-	-	-	(134,860)
Other Uses	(660)	-	(936)	-	(1,596)
Total Other Financing Sources/(Uses)	(135,520)	125,344	8,580	8,242	6,646
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(173,847)	(7,469)	20,235	215,360	54,279
Fund Balance, January 1, 2003	886,900	434,943	64,510	5,835	1,392,188
Fund Balance, December 31, 2003	\$ 713,053	\$ 427,474	\$ 84,745	\$ 221,195	\$ 1,446,467

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

VILLAGE OF NORTH BALTIMORE
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
Proprietary Fund Type and Similar Fiduciary Funds
For the Year Ended December 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Receipts:			
Charges for Services	\$ 1,548,602	-	\$ 1,548,602
Interest	<u>-</u>	\$ <u>1,019</u>	<u>1,019</u>
Total Receipts	1,548,602	1,019	1,549,621
Disbursements:			
Personal Services	401,403	137	401,540
Travel and Transportation	1,662	-	1,662
Contractual Services	259,387	-	259,387
Materials and Supplies	126,136	-	126,136
Capital Outlay	109,330	-	109,330
Debt Service:			
Principal	211,754	-	211,754
Interest	<u>150,005</u>	<u>-</u>	<u>150,005</u>
Total Disbursements	1,259,677	137	1,259,814
Excess of Receipts Over (Under) Disbursements	288,925	882	289,807
Nonoperating Receipts (Disbursements):			
Miscellaneous Revenues	11,778	-	11,778
Miscellaneous Expenses	<u>(1,030)</u>	<u>-</u>	<u>(1,030)</u>
Total Nonoperating Receipts (Disbursements)	<u>10,748</u>	<u>-</u>	<u>10,748</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	299,673	882	300,555
Fund Balance, January 1, 2003	<u>2,458,427</u>	<u>109,584</u>	<u>2,568,011</u>
Fund Balance, December 31, 2003	\$ <u><u>2,758,100</u></u>	\$ <u><u>110,466</u></u>	\$ <u><u>2,868,566</u></u>

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

VILLAGE OF NORTH BALTIMORE
COMBINED STATEMENT OF RECEIPTS -
BUDGET AND ACTUAL
For the Year Ended December 31, 2003

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General	\$ 881,100	\$ 949,813	\$ 68,713
Special Revenue	386,108	398,381	12,273
Debt Service	69,937	79,937	10,000
Capital Projects	367,881	563,106	195,225
Proprietary:			
Enterprise	1,544,565	1,560,380	15,815
Fiduciary:			
Non-Expendable Trust	<u>900</u>	<u>1,019</u>	<u>119</u>
Total (Memorandum Only)	<u>\$ 3,250,491</u>	<u>\$ 3,552,636</u>	<u>\$ 302,145</u>

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

VILLAGE OF NORTH BALTIMORE
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
For the Year Ended December 31, 2003

Fund Types/Funds	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General	\$ 65,504	\$ 1,382,293	\$ 1,447,797	\$ 1,123,660	\$ 39,260	\$ 1,162,920	\$ 284,877
Special Revenue	10,640	563,426	574,066	405,850	2,730	408,580	165,486
Debt Service	-	59,703	59,703	59,702	-	59,702	1
Capital Projects	-	367,881	367,881	347,746	-	347,746	20,135
Proprietary:							
Enterprise	63,823	1,745,064	1,808,887	1,260,707	62,967	1,323,674	485,213
Fiduciary:							
Non-Expendable Trust	-	1,400	1,400	137	-	137	1,263
Total (Memorandum Only)	\$ 139,967	\$ 4,119,767	\$ 4,259,734	\$ 3,197,802	\$ 104,957	\$ 3,302,759	\$ 956,975

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

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of North Baltimore is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected Officials include six council members, a clerk/treasurer, and a mayor.

The Village provides various services including a mayor's court, police and fire protection, emergency medical, recreation (including parks), street maintenance and repair, and general administrative services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the Village for financial reporting purposes, management has considered all agencies, departments and organizations making up the Village of North Baltimore (the primary government) and its potential component units consistent with Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Village, as the primary government, is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and 1) the Village is able to significantly influence the programs or services performed or provided by the organization; or 2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Village has determined that there are no component units required to be included in the financial statements.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

C. **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 by the Auditor of State.

D. **INVESTMENTS AND INACTIVE FUNDS**

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchase investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received. See Note 5 for further description.

E. **FUND ACCOUNTING**

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

To account for the proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

E. **FUND ACCOUNTING** - (continued)

Governmental Fund Types: - (continued)

Debt Service Fund:

This fund is used to accumulate resources for the payment of bond and note debt.

Capital Project Funds:

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).

Proprietary Fund Types:

Enterprise Funds:

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Fiduciary Fund Types:

Nonexpendable Trust Funds

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
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is prepared by the Clerk/Treasurer, approved by Council, and submitted to the county auditor, as secretary of the county budget commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village clerk/treasurer by September 1.

Prior to December 31, the Village must revise the budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about January 1, the clerk/treasurer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the clerk/treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2003.

Budget receipts, as shown in the accompanying financial statements do not include the unencumbered fund balances as of January 1, 2003. However, those fund balances are available for appropriation.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. BUDGETARY PROCESS - (continued)

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The legal level of budgetary control is at the object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

G. 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.

H. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statement are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

2. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35 percent of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2003 was \$3.70 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$3.70 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$3.70 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2003 was \$3.70 per \$1,000 of assessed valuation.

The following represents the assessed property values for the revenues received during the year ended December 31, 2003.

	2003
Real Property:	
Residential/Agricultural	\$24,544,760
Commercial/Industrial	8,390,870
Public Utilities	14,750
Tangible Personal Property:	
Personal Property	10,784,336
Public Utilities	1,791,690
Total Valuation	\$45,526,406

The Wood County Treasurer collects property tax on behalf of all taxing districts within the county. The Wood County Auditor periodically remits to the taxing districts their portions of the taxes collected.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

3. LOCAL INCOME TAX

This locally levied tax of 1 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Government. It also applies to net income of business organizations conducted within the Village. Tax receipts were credited to the General Fund in the amount of \$563,234.

4. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2003 the Village contracted with one insurance company for coverage of buildings and contents.

The following is a list of insurance coverage of the Village and the deductibles associated with each:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Ohio Government Risk Management Plan	Automobile		
	Bodily Injury & Property Damage	\$3,000,000	\$100
	Uninsured/Underinsured	1,000,000	100
Ohio Government Risk Management Plan	Property	9,547,669	1,000
Ohio Government Risk Management Plan	Employee Benefits		
	Aggregate	3,000,000	0
	Per Occurrence	1,000,000	0
Ohio Government Risk Management Plan	Public Officials Liability		
	Aggregate	5,000,000	2,500
	Per Occurrence	3,000,000	2,500
Ohio Government Risk Management Plan	Firefighters Liability		
	Aggregate	5,000,000	0
	Per Occurrence	3,000,000	0
Ohio Government Risk Management Plan	Inland Marine Equipment	681,383	1,000

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

4. RISK MANAGEMENT - (continued)

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Ohio Government Risk Management Plan	Equipment	\$14,547,669	\$1,000
Ohio Government Risk Management Plan	Electronic Data Equipment	121,050	100
Ohio Government Risk Management Plan	Employee Blanket Bond	50,000	0

Settled Claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

All employees of the Village are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

5. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, December 31, 2003".

Legal Requirements

State statutes classify monies held by the Village into three categories.

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

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

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

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

5. EQUITY IN POOLED CASH AND INVESTMENTS - (continued)

Legal Requirements - (continued)

Interim monies may be invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

5. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

Legal Requirements - (continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk/Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

At year end 2003, the carrying amount of the Village's deposits was \$793,120 and the bank balance was \$835,815. Of the balance:

1. \$200,000 was covered by federal depository insurance, and
2. \$635,815 of the balance was uninsured, but collateralized by securities pooled by the depository not in the Village's name. As with all deposits, there is a risk of loss of resources, but management believes this collateral gives the Village its safest deposit of money.

Investments

The Village's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Village's name.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

5. EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (continued)

Investments - (continued)

The following list represents all investments of the Village, categorized by risk category using the definitions above as of December 31, 2003:

	<u>2003 Risk Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agree.	<u>-</u>	<u>\$3,521,913</u>	<u>-</u>	<u>\$3,521,913</u>	<u>\$3,521,913</u>
Total Investments	<u><u>-</u></u>	<u><u>\$3,521,913</u></u>	<u><u>-</u></u>	<u><u>\$3,521,913</u></u>	<u><u>\$3,521,913</u></u>

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and classifications of deposits and investments presented above per GASB Statement No. 3 for the year ended December 31, 2003 is shown below.

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 4,121,885	\$ 193,148
Investments:		
Certificates of Deposit		
Over 90 Days	193,148	(193,148)
Repurchase Agreement	<u>(3,521,913)</u>	<u>3,521,913</u>
 GASB Statement 3	 \$ <u><u>793,120</u></u>	 \$ <u><u>3,521,913</u></u>

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

6. DEBT OBLIGATIONS

The changes in the Village's general obligation notes and bonds during fiscal year 2003 were as follows:

	<u>Balance Outstanding 1/1/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Outstanding 12/31/2003</u>
<u>General Obligation Bonds & Notes</u>				
Back Hoe - 3.5%	\$ 26,600	-	\$ (8,867)	\$ 17,733
Fire Truck Bonds - 4.85%	167,000	-	(25,000)	142,000
Ambulance Note - 5.5%	56,082	-	(13,000)	43,082
Total	249,682	-	(46,867)	202,815
<u>Enterprise Fund Obligations</u>				
O.P.W.C - 0.00% 2020	76,311	-	(4,361)	71,950
O.W.D.A. - 8.35% 2014	718,707	-	(39,665)	679,042
O.W.D.A. - 6.39% 2020	162,223	-	(5,705)	156,518
O.W.D.A. - 2% 2020	1,993,673	-	(78,217)	1,915,456
O.W.D.A. - 2% 2022	2,103,327	\$ 8,242	(83,806)	2,027,763
Total Enterprise Fund	5,054,241	8,242	(211,754)	4,850,729
Grand Total	\$ 5,303,923	\$ 8,242	\$ (258,621)	\$ 5,053,544

The general obligation bonds 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 revenue. Ohio Water Development Authority loans, and Ohio Public Works Commission loan will be paid from user charges.

The Ohio Water Development Authority Loans were used for improvements to the Village's water treatment plant.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

6. DEBT OBLIGATIONS - (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>	<u>O.W.D.A. Loans</u>	<u>General Obligation Notes</u>	<u>O.P.W.C. Loans</u>	<u>Back Hoe</u>
2004	33,100	394,221	16,151	4,361	9,488
2005	33,887	394,221	16,150	4,361	9,176
2006	32,626	394,221	16,150	4,361	- 0 -
2007	32,317	394,221	- 0 -	4,361	- 0 -
2008	32,199	394,221	- 0 -	4,361	- 0 -
2009-2013	- 0 -	1,971,104	- 0 -	21,803	- 0 -
2014-2018	- 0 -	1,721,912	- 0 -	21,803	- 0 -
2019-2021	<u>- 0 -</u>	<u>364,973</u>	<u>- 0 -</u>	<u>6,539</u>	<u>- 0 -</u>
Total	<u>\$ 164,129</u>	<u>\$ 6,029,094</u>	<u>\$ 48,451</u>	<u>\$ 71,950</u>	<u>\$ 18,664</u>

7. PENSION AND RETIREMENT PLANS

The employees of the Village of North Baltimore are covered by either the Ohio Public Employees Retirement System or the Ohio Police and Fireman's Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Ohio Public Employee Retirement System (OPERS)

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described as follows: 1) The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan, 2) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon, 3) The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

7. PENSION AND RETIREMENT PLANS - (continued)

Ohio Public Employee Retirement System (OPERS) - (continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). The 2003 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. The 2003 employer contribution rate for local government employer units the rate was 13.55% of covered payroll. Total required employer contributions for all plans (TP, MD and CO) for the years ended December 31, 2003, 2002 and 2001 were \$69,967, \$59,426, and \$53,742, respectively. The full amount has been contributed for 2002 and 2001. 92% has been contributed for 2003.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The Village does not have any full-time firefighters. The Village's contributions to OP&F for the years ending December 31, 2003, 2002, and 2001 were \$35,100, \$29,118, and \$21,880, respectively. The full amount has been contributed for 2002 and 2001. 90% has been contributed for 2003.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - (continued)

Ohio Public Employees Retirement System - (continued)

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for local government employer units was 13.55% of covered payroll, of which 5.00% was used to fund health care for the year. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The rates stated above are the actuarially determined contribution requirements for OPERS. The portion of employer contributions that were used to fund post employment benefits was \$25,818. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2003

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - (continued)

Ohio Police and Fire Pension Fund

OP&F provides access to post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and 2003, respectively. In addition, Since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2002 (the latest information available) are 13,527 for Police and 10,396 for Firefighters.

The Village's actual contributions for 2003 which were used to fund post-employment benefits were \$13,935.

The Fund's total health care expense for the year ending December 31, 2002 (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875.

9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members
of Village Council
Village of North Baltimore
North Baltimore, Ohio

We have audited the financial statements of the Village of North Baltimore as and for the year ended December 31, 2003, and have issued our report thereon dated April 2, 2004. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated April 2, 2004.

Internal Controls 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 we have reported to management of the Village in a separate letter dated April 2, 2004.

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

Charles E. Harris & Associates, Inc.
April 2, 2004

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the period ending December 31, 2002, did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
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800-282-0370

Facsimile 614-466-4490

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
JULY 13, 2004**