

VILLAGE OF NORTH BALTIMORE

AUDIT REPORT

January 1, 2002 through December 31, 2002

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



Auditor of State Betty Montgomery

Mayor and Members of Council
Village of North Baltimore

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, 2001 through December 31, 2002. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 15, 2003

This Page is Intentionally Left Blank.

VILLAGE OF NORTH BALTIMORE
Audit Report
For the year ending December 31, 2002

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Elected Officials	ii
Administrative Personnel	iii
Index of Funds	iv-v
Report of Independent Accountants	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types - December 31, 2002	2
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002	3
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, 2002	4
Combined Statement of Receipts - Budget and Actual - For the Year Ended December 31, 2002	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - For the Year Ended December 31, 2002	6
Notes to the Financial Statements	7-22
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Status of Prior Year's Citations and Recommendations	25

VILLAGE OF NORTH BALTIMORE
AUDIT REPORT
For the year ending December 31, 2002

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)
Bob Downs	Council	1/1/02 - 09/03/02	(B)
Jeff Bretz	Council	9/17/00-12/31/05	(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, 2002

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, 2002

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

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, 2002

INDEX OF FUNDS - (continued)

PROPRIETARY FUND TYPES:

Enterprise Funds:

Water Utility Operating Fund
Wasterwater 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
Wasterwater Capital Equipment Replacement Fund
Reservoir Construction Fund
Notes Payable - Reservoir Fund
Notes Payable - BANS Land Fund
Valve Grant Fund

This Page is Intentionally Left Blank.

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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, 2002, 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, 2002, 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 February 27, 2003 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.
February 27, 2003

VILLAGE OF NORTH BALTIMORE
 COMBINED STATEMENT OF CASH, INVESTMENTS, AND FUND
 CASH BALANCES - ALL FUND TYPES
 December 31, 2002

Cash and Cash Equivalents	\$ 3,866,598
Investments	<u>93,601</u>
Total	<u>\$ 3,960,199</u>

CASH BALANCES BY FUND CLASS

Governmental Funds:

General	\$ 886,900
Special Revenue	434,943
Debt Service	64,510
Capital Projects	<u>5,835</u>

Total Governmental Funds	1,392,188
--------------------------	-----------

Proprietary Funds:

Enterprise Funds	<u>2,458,427</u>
------------------	------------------

Total Enterprise Funds	2,458,427
------------------------	-----------

Fiduciary Funds:

Non - Expendable Trust	<u>109,584</u>
------------------------	----------------

Total Fiduciary Funds	<u>109,584</u>
-----------------------	----------------

Total	<u>\$ 3,960,199</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, 2002

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<i>Receipts:</i>					
Local Taxes	\$ 663,791	-	\$ 69,139	-	\$ 732,930
Intergovernmental	111,956	\$ 141,694	-	-	253,650
Special Assessments	-	97,617	-	-	97,617
Charges for Services	80,861	2,895	-	-	83,756
Fines, Licenses, and Permits	39,302	499	-	-	39,801
Interest	40,547	17	-	-	40,564
Miscellaneous	8,800	4,432	-	-	13,232
Total Receipts	945,257	247,154	69,139	-	1,261,550
<i>Disbursements:</i>					
Security of Persons & Property	430,308	346	-	-	430,654
Public Health Services	24,419	-	-	-	24,419
Leisure Time Activities	-	25,597	-	-	25,597
Community Environment	3,528	12,009	-	-	15,537
Basic Utility Services	-	28,395	-	-	28,395
Transportation	-	211,991	-	-	211,991
General Government	279,184	-	763	-	279,947
Capital Outlay	49,556	73,695	-	\$ 421,377	544,628
<i>Debt Service:</i>					
Principal	-	-	36,313	-	36,313
Interest	-	-	13,101	-	13,101
Total Disbursements	786,995	352,033	50,177	421,377	1,610,582
Total Receipts Over/ (Under) Disbursements	158,262	(104,879)	18,962	(421,377)	(349,032)
<i>Other Financing Sources/(Uses):</i>					
Proceeds of O.W.D.A. Loans	-	-	-	421,377	421,377
Proceeds from Sale of Notes	-	26,600	-	-	26,600
Transfers-In	-	97,000	-	-	97,000
Transfers-Out	(97,000)	-	-	-	(97,000)
Other Sources	-	551	-	-	551
Other Uses	(4,196)	(550)	-	-	(4,746)
Total Other Financing Sources/(Uses)	(101,196)	123,601	-	421,377	443,782
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	57,066	18,722	18,962	-	94,750
Fund Balance, January 1, 2002	829,834	416,221	45,548	5,835	1,297,438
Fund Balance, December 31, 2002	\$ 886,900	\$ 434,943	\$ 64,510	\$ 5,835	\$ 1,392,188

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, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Receipts:			
Charges for Services	\$ 1,515,453	-	\$ 1,515,453
Interest	-	1,610	1,610
Total Receipts	1,515,453	1,610	1,517,063
 Disbursements:			
Personal Services	372,857	61	372,918
Travel and Transportation	668	-	668
Contractual Services	209,075	128	209,203
Materials and Supplies	109,986	-	109,986
Capital Outlay	96,007	-	96,007
Debt Service:			
Principal	246,623	-	246,623
Interest	133,447	-	133,447
Total Disbursements	1,168,663	189	1,168,852
 Excess of Receipts Over (Under) Disbursements	346,790	1,421	348,211
 Nonoperating Receipts (Disbursements):			
Miscellaneous Revenues	45,274	-	45,274
Miscellaneous Expenses	(953)	-	(953)
Total Nonoperating Receipts (Disbursements)	44,321	-	44,321
 Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	391,111	1,421	392,532
 Fund Balance, January 1, 2002	2,067,316	108,163	2,175,479
 Fund Balance, December 31, 2002	<u>\$ 2,458,427</u>	<u>\$ 109,584</u>	<u>\$ 2,568,011</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, 2002

Fund Types/Funds	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Governmental:			
General	\$ 860,816	\$ 945,257	\$ 84,441
Special Revenue	372,698	371,305	(1,393)
Debt Service	61,574	69,139	7,565
Capital Projects	251,949	421,377	169,428
Proprietary:			
Enterprise	1,554,500	1,560,727	6,227
Fiduciary:			
Non-Expendable Trust	<u>1,500</u>	<u>1,610</u>	<u>110</u>
Total (Memorandum Only)	<u>\$ 3,103,037</u>	<u>\$ 3,369,415</u>	<u>\$ 266,378</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, 2002

Fund Types/Funds	Prior Year Carryover Appropriations	2002 Appropriations	Total	Actual 2002 Disbursements	Encumbrances Outstanding at 12/31/02	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General	\$ 23,596	\$ 1,208,978	\$ 1,232,574	\$ 888,191	\$ 4,044	\$ 892,235	\$ 340,339
Special Revenue	1,515	543,165	544,680	352,583	4,830	357,413	187,267
Debt Service	-	50,125	50,125	50,177	-	50,177	(52)
Capital Projects	-	526,948	526,948	421,377	-	421,377	105,571
Proprietary:							
Enterprise	-	1,276,989	1,276,989	1,169,616	7,013	1,176,629	100,360
Fiduciary:							
Non-Expendable Trust	-	1,775	1,775	189	-	189	1,586
Total (Memorandum Only)	\$ 25,111	\$ 3,607,980	\$ 3,633,091	\$ 2,882,133	\$ 15,887	\$ 2,898,020	\$ 735,071

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, 2002

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, 2002

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, 2002

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, 2002

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 2002.

Budget receipts, as shown in the accompanying financial statements do not include the unencumbered fund balances as of January 1, 2002. However, those fund balances are available for appropriation.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2002

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. In the budgetary financial statements, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

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, 2002

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 2002.

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, 2002 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, 2002 was \$14.80 per \$1,000 of assessed valuation.

The following represents the assessed property values for the revenues received during the year ended December 31, 2002.

	<u>2002</u>
Real Property:	
Residential/Agricultural	\$23,772,300
Commercial/Industrial	7,943,560
Public Utilities	14,070
Tangible Personal Property:	
Personal Property	7,554,268
Public Utilities	<u>1,765,100</u>
Total Valuation	<u>\$40,729,142</u>

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, 2002

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 \$663,791 and the Debt Service Fund for \$69,139.

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 2002 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 Uninsured/Underinsured	\$3,000,000 1,000,000	\$100 100
Ohio Government Risk Management Plan	Property	9,547,669	1,000
Ohio Government Risk Management Plan	Employee Benefits Aggregate Per Occurrence	3,000,000 1,000,000	0 0
Ohio Government Risk Management Plan	Public Officials Liability Aggregate Per Occurrence	5,000,000 3,000,000	2,500 2,500
Ohio Government Risk Management Plan	Firefighters Liability Aggregate Per Occurrence	5,000,000 3,000,000	0 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, 2002

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, 2002".

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, 2002

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, 2002

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 2002, the carrying amount of the Village's deposits was \$514,316 and the bank balance was \$538,122. Of the bank balance:

1. \$200,000 was covered by federal depository insurance, and
2. \$338,122 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, 2002

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, 2002:

	<u>Risk Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agree.	-	-	\$3,445,883	\$3,445,883	\$3,445,883
Total Investments	-	-	\$3,445,883	\$3,445,883	\$3,445,883

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, 2002 is shown below.

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 3,866,598	\$ 93,601
Investments:		
Certificates of Deposit		
Over 90 Days	93,601	(93,601)
Repurchase Agreement	(3,445,883)	<u>3,445,883</u>
 GASB Statement 3	 \$ <u>514,316</u>	 <u>\$ 3,445,883</u>

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2002

6. DEBT OBLIGATIONS

The changes in the Village's general obligation notes and bonds during fiscal year 2002 were as follows:

	Balance Outstanding <u>1/1/02</u>	Additions	Deductions	Balance Outstanding <u>12/31/02</u>
<u>General Obligation Bonds & Notes</u>				
Back Hoe - 3.5% 2003	- 0 -	26,600	- 0 -	26,600
Fire Truck Bonds - 4.85% 2003	\$191,000	- 0 -	(\$24,000)	\$167,000
Ambulance Note - 5.5% 2006	<u>68,395</u>	<u>- 0 -</u>	<u>(12,313)</u>	<u>56,082</u>
Total	259,395	26,600	(36,313)	249,682
<u>Enterprise Fund Obligations</u>				
O.P.W.C. - 0.00% 2020	80,672	- 0 -	(4,361)	76,311
O.W.D.A. - 8.35% 2014	755,315	- 0 -	(36,608)	718,707
O.W.D.A. - 6.39% 2020	137,753	29,828	(5,358)	162,223
O.W.D.A. - 2% 2020	2,068,141	28,578	(103,046)	1,993,673
O.W.D.A. - 2% 2022	<u>1,837,606</u>	<u>362,971</u>	<u>(97,250)</u>	<u>2,103,327</u>
Total Enterprise Fund	<u>4,879,487</u>	<u>421,377</u>	<u>(246,623)</u>	<u>5,054,241</u>
Grand Total	<u>\$ 5,138,882</u>	<u>\$ 447,977</u>	<u>\$ (282,936)</u>	<u>\$ 5,303,923</u>

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. Enterprise notes, 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, 2002

6. DEBT OBLIGATIONS - (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002 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>
2003	33,264	394,221	25,728	4,361
2004	33,100	394,221	25,425	4,361
2005	33,887	394,221	25,119	4,361
2006	32,626	394,221	16,150	4,361
2007	32,317	394,221	- 0 -	4,361
2008-2012	32,199	1,971,104	- 0 -	21,803
2013-2017	- 0 -	1,721,912	- 0 -	21,803
2018-2021	- 0 -	759,194	- 0 -	10,900
Total	\$ 197,393	\$ 6,423,316	\$ 92,422	\$ 76,311

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)

The Ohio Public Employees Retirement System is a cost-sharing multiple-employer administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS 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-PERS (7377).

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2002

7. PENSION AND RETIREMENT PLANS - (continued)

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. For local government employer units the rate was 13.55% of covered payroll. The contribution rates are determined actuarially. The Village's contributions for pension obligations to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$59,426, \$53,742 and \$47,591 respectively. The full amount has been contributed for 2001 and 2000. 92% has been contributed for 2002.

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, 2002, 2001, and 2000 were \$29,118, \$21,880, and \$26,590, respectively. The full amount has been contributed for 2001 and 2000. 90% has been contributed for 2002.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirees. Health care coverage for disability 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. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The 2002 employer contribution rate for local employers was 13.55% of covered payroll; 5% was the portion that was used to fund health care.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2002

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

Ohio Public Employees Retirement System - (continued)

Benefits are advance-funded on an actuarially determined basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. As of December 31, 2001, (the latest information available), \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB. At December 31, 2001, the total number of benefit recipients eligible for OPEB through OPERS was 402,041. The Village's actual contributions for 2002 that were used to fund OPEB were \$21,928.

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 under OPERS 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 their allowance toward specific medical expenses, much like a Medical Spending Account.

Ohio Police and Fire Pension Fund

OP&F provides 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 the Ohio Police and Fire Disability and Pension Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides the statutory authority allowing the Fund's Board of Trustees to provide 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 7.5% and 7.75% of covered payroll in 2001 and 2002, 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, 2001 (the latest information available) are 13,174 for Police and 10,239 for Firefighters.

VILLAGE OF NORTH BALTIMORE
Notes to the Financial Statements
For the Year Ended December 31, 2002

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

Ohio Police and Fire Pension Fund - (continued)

The Village's actual contributions for 2002 which were used to fund post-employment benefits were \$11,560.

The Fund's total health care expense for the year ending December 31, 2001 (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699.

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 is 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, 2002, and have issued our report thereon dated February 27, 2003. 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 February 27, 2003.

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 February 27, 2003.

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.

February 27, 2003

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the period ending December 31, 2001, did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

**CERTIFIED
MAY 29, 2003**