



**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 14, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Baltimore, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Baltimore, Fairfield County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1B, for the year ended December 31, 2006, the Village changed its financial presentation compared to the requirements of Governmental Accounting Standard No. 34. *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 14, 2008

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Local Taxes | \$ 90,384 | \$ 20,412 | \$ - | \$ 110,796 |
| Municipal Income Tax | 234,827 | 234,827 | - | 469,654 |
| Intergovernmental | 254,234 | 126,417 | - | 380,651 |
| Charges for Services | 25,240 | - | - | 25,240 |
| Fines, Licenses and Permits | 38,146 | 1,570 | - | 39,716 |
| Earnings on Investments | 62,236 | 3,508 | - | 65,744 |
| Miscellaneous | 7,264 | 5,514 | - | 12,778 |
| Total Cash Receipts | <u>712,331</u> | <u>392,248</u> | <u>-</u> | <u>1,104,579</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 234,766 | 581 | - | 235,347 |
| Public Health Services | 23,131 | - | - | 23,131 |
| Leisure Time Activities | 34,260 | - | - | 34,260 |
| Community Environment | 57,431 | - | - | 57,431 |
| Transportation | - | 306,435 | - | 306,435 |
| General Government | 198,600 | 14,215 | - | 212,815 |
| Debt Service: | | | | |
| Redemption of Principal | - | 8,856 | - | 8,856 |
| Interest and Fiscal Charges | - | 784 | - | 784 |
| Capital Outlay | 24,727 | 25,698 | 47,470 | 97,895 |
| Total Cash Disbursements | <u>572,915</u> | <u>356,569</u> | <u>47,470</u> | <u>976,954</u> |
| Total Receipts Over/(Under) Disbursements | <u>139,416</u> | <u>35,679</u> | <u>(47,470)</u> | <u>127,625</u> |
| Other Financing Receipts / (Disbursements): | | | | |
| Sale of Fixed Assets | 2 | - | - | 2 |
| Transfers-In | - | - | 58,000 | 58,000 |
| Transfers-Out | (58,000) | - | - | (58,000) |
| Other Financing Uses | (3,925) | (3,025) | - | (6,950) |
| Total Other Financing Receipts / (Disbursements) | <u>(61,923)</u> | <u>(3,025)</u> | <u>58,000</u> | <u>(6,948)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>77,493</u> | <u>32,654</u> | <u>10,530</u> | <u>120,677</u> |
| Fund Cash Balances, January 1 | <u>139,651</u> | <u>110,089</u> | <u>25,479</u> | <u>275,219</u> |
| Fund Cash Balances, December 31 | <u>\$ 217,144</u> | <u>\$ 142,743</u> | <u>\$ 36,009</u> | <u>\$ 395,896</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 6,690</u> | <u>\$ 3,195</u> | <u>\$ -</u> | <u>\$ 9,885</u> |

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|----------------------------|--------------------------|--------------------------------|
| | Enterprise | Private Purpose Trust | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 1,273,319 | \$ - | \$ 1,273,319 |
| Earnings on Investments | - | 515 | 515 |
| Miscellaneous | 41,976 | - | 41,976 |
| | <u>1,315,295</u> | <u>515</u> | <u>1,315,810</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 311,881 | - | 311,881 |
| Employee Fringe Benefits | 117,903 | - | 117,903 |
| Contractual Services | 216,561 | - | 216,561 |
| Supplies and Materials | 152,607 | - | 152,607 |
| Transportation | 1,574 | - | 1,574 |
| | <u>800,526</u> | <u>-</u> | <u>800,526</u> |
| Operating Income | <u>514,769</u> | <u>515</u> | <u>515,284</u> |
| Non-Operating Cash Receipts: | | | |
| Municipal Income Tax | 52,184 | - | 52,184 |
| Intergovernmental | 664,573 | - | 664,573 |
| Sale of Notes | 1,986,000 | - | 1,986,000 |
| OWDA Loan Proceeds | 3,301,285 | - | 3,301,285 |
| OPWC Loan Proceeds | 104,543 | - | 104,543 |
| Premium on Notes | 2,681 | - | 2,681 |
| | <u>6,111,266</u> | <u>-</u> | <u>6,111,266</u> |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 3,854,730 | - | 3,854,730 |
| Redemption of Principal | 2,294,253 | - | 2,294,253 |
| Interest and Other Fiscal Charges | 103,912 | - | 103,912 |
| Other Non-Operating Cash Disbursements | 7,175 | - | 7,175 |
| | <u>6,260,070</u> | <u>-</u> | <u>6,260,070</u> |
| Net Receipts Over Disbursements | 365,965 | 515 | 366,480 |
| Fund Cash Balances, January 1 | <u>883,228</u> | <u>18,464</u> | <u>901,692</u> |
| Fund Cash Balances, December 31 | <u>\$ 1,249,193</u> | <u>\$ 18,979</u> | <u>\$ 1,268,172</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 6,167</u> | <u>\$ -</u> | <u>\$ 6,167</u> |

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Local Taxes | \$ 91,984 | \$ 20,875 | \$ - | \$ 112,859 |
| Municipal Income Tax | 197,621 | 197,621 | - | 395,242 |
| Intergovernmental | 67,252 | 124,897 | - | 192,149 |
| Charges for Services | 17,600 | - | - | 17,600 |
| Fines, Licenses and Permits | 39,163 | 1,018 | - | 40,181 |
| Earnings on Investments | 71,427 | 2,743 | - | 74,170 |
| Miscellaneous | 12,819 | 7,588 | - | 20,407 |
| | <u>497,866</u> | <u>354,742</u> | <u>-</u> | <u>852,608</u> |
| Total Cash Receipts | | | | |
| | <u>497,866</u> | <u>354,742</u> | <u>-</u> | <u>852,608</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 205,322 | - | - | 205,322 |
| Public Health Services | 21,703 | 70 | - | 21,773 |
| Leisure Time Activities | 41,820 | - | - | 41,820 |
| Community Environment | 57,512 | - | - | 57,512 |
| Transportation | - | 283,436 | - | 283,436 |
| General Government | 213,108 | 16,223 | - | 229,331 |
| Debt Service: | | | | |
| Redemption of Principal | - | 8,479 | - | 8,479 |
| Interest and Fiscal Charges | - | 1,152 | - | 1,152 |
| Capital Outlay | 56,861 | 66,419 | 39,241 | 162,521 |
| | <u>596,326</u> | <u>375,779</u> | <u>39,241</u> | <u>1,011,346</u> |
| Total Cash Disbursements | | | | |
| | <u>596,326</u> | <u>375,779</u> | <u>39,241</u> | <u>1,011,346</u> |
| Total Receipts (Under) Disbursements | <u>(98,460)</u> | <u>(21,037)</u> | <u>(39,241)</u> | <u>(158,738)</u> |
| Other Financing (Disbursements): | | | | |
| Other Financing Uses | (4,019) | (3,154) | - | (7,173) |
| | <u>(4,019)</u> | <u>(3,154)</u> | <u>-</u> | <u>(7,173)</u> |
| Total Other Financing (Disbursements) | | | | |
| | <u>(4,019)</u> | <u>(3,154)</u> | <u>-</u> | <u>(7,173)</u> |
| Excess of Cash Receipts (Under) Cash Disbursements and Other Financing Disbursements | (102,479) | (24,191) | (39,241) | (165,911) |
| Fund Cash Balances, January 1 | 242,130 | 134,280 | 64,720 | 441,130 |
| Fund Cash Balances, December 31 | <u>\$ 139,651</u> | <u>\$ 110,089</u> | <u>\$ 25,479</u> | <u>\$ 275,219</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 1,775</u> | <u>\$ 2,714</u> | <u>\$ 12,209</u> | <u>\$ 16,698</u> |

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Proprietary Fund Type | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|--------------------------|--------------------------|--------------------------------|
| | Enterprise | Private Purpose Trust | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 1,288,741 | \$ - | \$ 1,288,741 |
| Earnings on Investments | - | 389 | 389 |
| Miscellaneous | 50,228 | - | 50,228 |
| Total Operating Cash Receipts | <u>1,338,969</u> | <u>389</u> | <u>1,339,358</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 246,973 | - | 246,973 |
| Employee Fringe Benefits | 100,208 | - | 100,208 |
| Contractual Services | 510,582 | - | 510,582 |
| Supplies and Materials | 147,251 | - | 147,251 |
| Transportation | 1,687 | - | 1,687 |
| Total Operating Cash Disbursements | <u>1,006,701</u> | <u>-</u> | <u>1,006,701</u> |
| Operating Income | <u>332,268</u> | <u>389</u> | <u>332,657</u> |
| Non-Operating Cash Receipts: | | | |
| Municipal Income Tax | 43,916 | - | 43,916 |
| Intergovernmental | 41,445 | - | 41,445 |
| Sale of Notes | 2,286,000 | - | 2,286,000 |
| Premium on Notes | 6,688 | - | 6,688 |
| Total Non-Operating Cash Receipts | <u>2,378,049</u> | <u>-</u> | <u>2,378,049</u> |
| Non-Operating Cash Disbursements: | | | |
| Capital Outlay | 1,107,907 | - | 1,107,907 |
| Redemption of Principal | 2,586,000 | - | 2,586,000 |
| Interest and Other Fiscal Charges | 77,880 | - | 77,880 |
| Other Non-Operating Cash Disbursements | 6,589 | - | 6,589 |
| Total Non-Operating Cash Disbursements | <u>3,778,376</u> | <u>-</u> | <u>3,778,376</u> |
| Net Receipts Over/(Under) Disbursements | (1,068,059) | 389 | (1,067,670) |
| Fund Cash Balances, January 1 | <u>1,951,287</u> | <u>18,075</u> | <u>1,969,362</u> |
| Fund Cash Balances, December 31 | <u>\$ 883,228</u> | <u>\$ 18,464</u> | <u>\$ 901,692</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 19,417</u> | <u>\$ -</u> | <u>\$ 19,417</u> |

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Baltimore, Fairfield County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police and medical services.

The Village participates in two jointly governed organizations. Note 10 to the financial statements provide additional information for these entities.

These organizations are:

- 1) Fairfield County Regional Planning Commission, and
- 2) Basil Joint Fire District

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

B. Accounting Basis

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

For the year ended December 31, 2006, the Village changed its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits. This change did not result in a restatement of the fund balances.

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

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Reserve Fund - This fund receives proceeds from the General Fund. The accumulated resources are being used to purchase a police cruiser and to make renovations to the Village Town Hall.

Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Fund

The Fiduciary fund includes the private purpose trust fund. The Trust fund accounts for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund is for the Basil Cemetery.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool all funds use except the private purpose trust fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | 2007 | 2006 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$868,007 | \$420,347 |
| Total Deposits | 868,007 | 420,347 |
| | | |
| STAR Ohio | 796,061 | 756,564 |
| Total Investments | 796,061 | 756,564 |
| Total Deposits and Investments | \$1,664,068 | \$1,176,911 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|---------------|
| General | \$685,400 | \$712,333 | \$26,933 |
| Special Revenue | 364,050 | 392,248 | 28,198 |
| Capital Projects | 58,000 | 58,000 | 0 |
| Enterprise | 9,537,238 | 7,426,561 | (2,110,677) |
| Trust | 300 | 515 | 215 |
| Total | \$10,644,988 | \$8,589,657 | (\$2,055,331) |

2007 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------|
| General | \$730,942 | \$641,530 | \$89,412 |
| Special Revenue | 450,095 | 362,789 | 87,306 |
| Capital Projects | 83,209 | 47,470 | 35,739 |
| Enterprise | 9,737,610 | 7,066,763 | 2,670,847 |
| Trust | 2,700 | 0 | 2,700 |
| Total | \$11,004,556 | \$8,118,552 | \$2,886,004 |

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$540,250 | \$497,866 | (\$42,384) |
| Special Revenue | 378,000 | 354,742 | (23,258) |
| Capital Projects | 0 | 0 | 0 |
| Enterprise | 4,455,550 | 3,717,018 | (738,532) |
| Trust | 500 | 389 | (111) |
| Total | \$5,374,300 | \$4,570,015 | (\$804,285) |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$719,713 | \$602,120 | \$117,593 |
| Special Revenue | 481,140 | 381,647 | 99,493 |
| Capital Projects | 64,000 | 51,450 | 12,550 |
| Enterprise | 5,569,825 | 4,804,494 | 765,331 |
| Trust | 0 | 0 | 0 |
| Total | \$6,834,678 | \$5,839,711 | \$994,967 |

4. Property Tax

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Local Income Tax (Continued)

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax proceeds are allocated 45 percent to the General Fund, 45 percent to the Street Construction, Maintenance, and Repair Fund, and 10 percent to the Swimming Pool Fund.

6. Debt

Debt outstanding at December 31, 2007 was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Sanitary Sewer System BAN | \$1,986,000 | 4.10% |
| Ohio Water Development Authority Loan (#4659) | 3,223,821 | 2.75% |
| Ohio Water Development Authority Loan (#4763) | 78,420 | 2.75% |
| Ohio Public Works Commission Loan | 104,543 | 0.00% |
| John Deere Lease | 9,240 | 4.25% |
| Total | \$5,402,024 | |

The Sanitary Sewer System Bond Anticipation Note was issued for repair of the wastewater treatment plant. All proceeds had been spent at December 31, 2007. The bond anticipation note is backed by the full faith and credit of the Village and matures within one year.

The Ohio Water Development Authority (OWDA) loan #4659 relates to a sewer plant upgrade and expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$5,437,797 in a loan to the Village for this project. The principal amount above represents the total amount owed to date, including capitalized interest of \$9,209. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loan has not been completely drawn, an amortization schedule for the loan is not available. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover future OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4763 relates to a water master plan. The OWDA approved \$86,673 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$9,336, including interest, over 5 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to the southeast lift station and force main project. The OPWC approved up to \$273,000 in a loan to the Village for this project. The principal amount above represents the total amount owed to date. The OPWC will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loan has not been completely drawn, an amortization schedule for the loan is not available. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Debt (Continued)

The Village entered into a lease agreement in March, 2004 for the purchase of two John Deere tractors. It is a 5 year lease agreement with an annual payment of \$9,640, including interest, and matures on March 15, 2008.

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

| Year ending December 31: | John Deere Lease | OWDA Loan # 4763 |
|--------------------------|---------------------|---------------------|
| 2008 | \$9,640 | \$9,336 |
| 2009 | 0 | 18,672 |
| 2010 | 0 | 18,672 |
| 2011 | 0 | 18,672 |
| 2012 | 0 | 18,672 |
| Total | <u>\$9,640</u> | <u>\$84,024</u> |

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. The Village contributed to OP&F an amount equal to 19.5% of police members' wages. OPERS members contributed 9% of their gross salaries for 2006 and 9.5% for 2007 and the Village contributed an amount equaling 13.7% and 13.85% respectively of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health, dental, and vision insurance benefits to full-time employees through a private carrier.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. Contingent Liabilities

The Village is defendant in a couple of lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. Jointly Governed Organizations

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2007 and 2006, the Village's membership amount was \$576. There is no ongoing financial responsibility by the Village.

Basil Joint Fire District: The Fire District provides fire protection and rescue services to Village and Liberty Township residents. The Village appoints a member of Council on the Fire District's five-member Board of Trustees. There is no ongoing financial responsibility by the Village.

11. Subsequent Event

On January 8, 2008, the Village entered into a grant/loan agreement with the Ohio Public Works Commission (OPWC) for the East Water Tower and Waterline project in the amount of \$719,086. OPWC has agreed to provide \$396,086 in the form of a grant for the project. Once the grant is fully expended, OPWC has agreed to provide \$350,000 in a loan for the project.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Baltimore, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 14, 2008, wherein we noted the Village changed their financial presentation method to conform to presentation methods the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings 2007-001 and 2007-002 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated August 14, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 14, 2008.

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

We intend this report solely for the information and use of the Finance Committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 14, 2008

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness

Posting Amended Budgets

The Village should have procedures in place to prevent or detect material misstatement of financial information.

Estimated receipt amounts recorded in the Village's accounting records did not agree with estimated receipts approved by Council and County Budget Commission as follows:

| <u>Year - Fund</u> | <u>Approved Amount</u> | <u>Amount in Accounting System</u> | <u>Variance</u> |
|--------------------|----------------------------|--|-----------------|
| 2007 | | | |
| Enterprise Funds | \$9,537,238 | \$9,401,884 | (\$135,354) |
| 2006 | | | |
| Enterprise Funds | \$4,246,025 | \$4,455,550 | \$209,525 |

The financial statement footnotes were adjusted for the approved amount for this fund type.

Failure to update budgets approved by Council in the accounting system could result in inaccurate financial information from which Village operating decisions are made.

We recommend the Fiscal Officer accurately and timely post all estimated receipts as approved by Council and County Budget Commission in the accounting system.

Officials' Response:

We will be more cognizant of changing estimated receipts as approved by Council.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|--|

FINDING NUMBER 2007-002

Significant Deficiency/Material Weakness

Financial Statements

Governmental Accounting Solutions compiles the Village's annual financial statements. When the reports are completed, the Fiscal Officer should review the report to ensure the information provided is complete and accurate.

For the year ended 2007, the Village authorized three reclassifications to the financial statements. These reclassifications ranged from reducing miscellaneous receipts in the amounts of \$85,500 and \$3,497,342 in the water and sewer funds, respectively and increasing OWDA loan proceeds. Also, an additional \$79,054 was reclassified from Charges for Services to intergovernmental revenues in the Sewer Fund.

The lack of reviewing annual financial reports prepared by the accounting firm leads to undetected errors or omissions in the reports.

We recommend the Village develop procedures to ensure the accuracy of annual financial reports.

Officials' Response:

The program that is used for our financial statements has been fixed to roll-up financial statement line items correctly.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BALTIMORE

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2008**