

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Village of North Baltimore, Wood County, prepared by E.S. Evans and Company, for the audit period January 1, 2005 through December 31, 2005. 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.

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BETTY MONTGOMERY
Auditor of State

December 19, 2006

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VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants and Consultants

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

June 29, 2006

INDEPENDENT AUDITOR'S REPORT

Village of North Baltimore
Wood County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Baltimore as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these basic 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Baltimore, as of December 31, 2005, and the respective changes in modified cash basis financial position, thereof and the respective budgetary comparison for the General and Street Construction Funds for the year then ended in conformity with the basis of accounting described in Note 2.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

In accordance with Government Auditing Standards, we have also issued a report dated June 29, 2006 on our consideration of the Village of North Baltimore'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 and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

This discussion and analysis of the Village of North Baltimore's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of North Baltimore's financial performance.

Highlights

Key highlights for 2005 are as follows:

The Village's Income Tax receipts represent 55.9% of the General Fund Receipts and the charges for service represent 7.7% of the General Fund Receipts for 2005. Income tax receipts decreased in 2005 from 2004 by 5%. This reduction can be attributed to a reduction of development within the Village.

The water operation fund had a decrease of net assets by \$171,574 and the sewer operation fund had an increase of net assets by \$3,351.

The residents of the Village voted for a street improvement levy that will generate approximately \$85,000 annually for the reconstruction of roadways within the Village. This money will be available in 2006.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to North Baltimore's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Overtime, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The Village has two business-type activities, the provision of water and sewer along with reserves for capital improvements. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds — not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's only major governmental funds are the General Fund and the Street Reconstruction Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three major enterprise funds, the Water Fund, the Wastewater Fund, and Water Capital Reserve Fund. The remainder of the non-major enterprise funds are combined and presented in total in a single column.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on the modified cash basis of accounting.

Table 1
Net Assets

	Governmental Activities	
	2005	2004
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 1,462,132	\$ 1,415,185
Investments	-	-
Total Assets	<u>1,462,132</u>	<u>1,415,185</u>
<u>Net Assets:</u>		
Restricted for:		
Debt Service	62,933	72,902
Capital Outlay	5,835	5,835
Cemetery Endowment - Expendable	15,558	18,155
Cemetery Endowment - Nonexpendable	92,801	92,801
Unrestricted	1,285,005	1,225,492
Total Net Assets	<u>\$ 1,462,132</u>	<u>\$ 1,415,185</u>
	Business-Type Activities	
	2005	2004
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 874,423	\$ 2,854,124
Investments	2,027,321	-
Total Assets	<u>2,901,744</u>	<u>2,854,124</u>
<u>Net Assets:</u>		
Restricted for:		
Debt Service	29,658	19,788
Capital Outlay	1,463,014	1,258,526
Unrestricted	1,409,072	1,575,810
Total Net Assets	<u>\$ 2,901,744</u>	<u>\$ 2,854,124</u>

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

Table 1 - Continued
Net Assets

	<u>2005</u>	<u>Total 2004</u>
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 2,336,555	\$ 4,269,309
Investments	2,027,321	-
Total Assets	<u>4,363,876</u>	<u>4,269,309</u>
<u>Net Assets:</u>		
Restricted for:		
Debt Service	92,591	92,690
Capital Outlay	1,468,849	1,264,361
Cemetery Endowment - Expendable	15,558	18,155
Cemetery Endowment - Nonexpendable	92,801	92,801
Unrestricted	2,694,077	2,801,302
Total Net Assets	<u>\$ 4,363,876</u>	<u>\$ 4,269,309</u>

As mentioned previously, net assets of governmental activities increased \$46,947 or 3 percent during 2005. The primary reason contributing to the increases in cash balances are as follows:

- In May of 2005, North Baltimore Village Council started investing cash with the firm SJS Investments. During this time, interest revenues have increased by \$35,000.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Table 2 -Change in Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
<u>Receipts:</u>			
Program Receipts:			
Charges for Services and Sales	\$ 101,107	\$ 1,481,996	\$ 1,583,103
Operating Grants, Contributions, and Interest	192,633	-	192,633
Capital Grants and Contributions	-	-	-
Total Program Receipts	<u>293,740</u>	<u>1,481,996</u>	<u>1,775,736</u>
General Receipts:			
Property and Other Local Taxes	233,205	-	233,205
Income Taxes	524,950	-	524,950
Grants and Entitlements	87,934	-	87,934
Notes Issued	29,714	-	29,714
Sale of Capital Assets	-	-	-
Interest	83,688	-	83,688
Miscellaneous	9,572	16,735	26,307
Total General Receipts	<u>969,063</u>	<u>16,735</u>	<u>985,798</u>
Total Receipts	<u>1,262,803</u>	<u>1,498,731</u>	<u>2,761,534</u>
<u>Disbursements:</u>			
General Government	220,876	-	220,876
Security of Persons and Property	489,494	-	489,494
Public Health Services	29,327	-	29,327
Leisure Time Activities	25,136	-	25,136
Community Environment	21,648	-	21,648
Basic Utilities	26,667	-	26,667
Transportation	207,507	-	207,507
Capital Outlay	152,817	-	152,817
Debt Service:	42,384	-	42,384
Water	-	978,129	978,129
Wastewater	-	333,687	333,687
Other Enterprise	-	139,295	139,295
Total Disbursements	<u>1,215,856</u>	<u>1,451,111</u>	<u>2,666,967</u>
Transfers In/(Out)	-	-	-
Increase (Decrease) in Net Assets	46,947	47,620	94,567
Net Assets - Beginning of Year	<u>1,415,185</u>	<u>2,854,124</u>	<u>4,269,309</u>
Net Assets - End of Year	<u>\$ 1,462,132</u>	<u>\$ 2,901,744</u>	<u>\$ 4,363,876</u>

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

Program receipts represent 64 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and ambulance fees and charges to nearby Townships for fire and emergency medical services provided under contract, as well as fees for utility services.

General receipts represent 36 percent of the Village's total receipts, and of this amount, over 76 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, mayor and finance departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 50% of General Fund unrestricted receipts.

Governmental Activities

If you look at the Statement of Activities on pages 14 and 15, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 18 and 40 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 17 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

Table 3
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$ 220,876	\$ (210,800)
Security of Persons and Property	489,494	(395,875)
Public Health Services	29,327	4,059
Leisure Time Activities	25,136	(22,823)
Community Environment	21,648	(21,648)
Basic Utilities	26,667	(26,667)
Transportation	207,507	(53,161)
Capital Outlay	152,817	(152,817)
Debt Service	42,384	(42,384)
Total Disbursements	\$ <u>1,215,856</u>	\$ <u>(922,116)</u>

The dependence upon income tax receipts is apparent as over 79 percent of governmental activities are supported through these general receipts.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

Business-type Activities

The water and wastewater operation of the Village are a large part of the community and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Government has begun discussing the need for major repairs and how these will be funded. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new wastewater treatment standards.

The utility deposit fund of the Government is relatively small in size and the receipts and cash disbursements are of equal size.

The Government's Funds

Total governmental funds had receipts of \$1,262,803 and disbursements of \$1,212,856. The greatest change within governmental funds occurred within the Street Cleaning Assessment Fund. The fund balance of the street cleaning fund increased \$25,012 as the result of carrying revenue forward for the purchase of a street sweeper in the near future.

General receipts were more than disbursements by \$17,644 indicating that the General Fund is in a controlled spending situation. In the spring 2005 election, the voters approved a 1 mill levy for the construction and reconstruction of roadways within the Village limits.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were more than original budgeted receipts due to the unexpected increase in Worker's Compensation premiums. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$973,063 while actual disbursements were \$813,961. While the appropriations increased by \$5,700, actual expenditures were \$159,102 under the final appropriations.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2005

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Government's outstanding debt principal balance totaled \$4,717,016 which was primarily comprised of OWDA notes. The Village retired \$281,808 in debt during 2005. For further information regarding the Village's debt, refer to Note 12 to the financial statements.

Current Issues

The EPA has mandated the Village to start separating the storm sewer from the sanitary sewer. Phase One was completed in 2002 and Phase Two is planned for 2007. The Village has contracted with an engineering firm to conduct a water and sewer rate study to help prepare the Village financially for the upcoming construction projects. It is anticipated that there will be an increase in the water and sewer rates in 2006.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Chasity McCartney, Finance Officer, 205 North Main Street, North Baltimore, Ohio 45872.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS

December 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,462,132	\$ 874,423	\$ 2,336,555
Investments	-	2,027,321	2,027,321
Total Assets	<u>\$ 1,462,132</u>	<u>\$ 2,901,744</u>	<u>\$ 4,363,876</u>
<u>Net Assets:</u>			
Restricted For:			
Capital Projects	\$ 5,835	\$ 1,463,014	\$ 1,468,849
Debt Service	62,933	29,658	92,591
Cemetery:			
Expendable	15,558	-	15,558
Non-Expendable	92,801	-	92,801
Unrestricted	<u>1,285,005</u>	<u>1,409,072</u>	<u>2,694,077</u>
Total Net Assets	<u>\$ 1,462,132</u>	<u>\$ 2,901,744</u>	<u>\$ 4,363,876</u>

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2005

	Cash	Program Cash Receipts		
		Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest
<u>Governmental Activities:</u>				
General Government	\$ 220,876	\$ 10,076	\$ -	\$ -
Security of Persons and Property	489,494	58,693	34,926	-
Public Health Services	29,327	30,025	3,361	-
Leisure Time Activities	25,136	2,313	-	-
Community Environment	21,648	-	-	-
Basic Utility Services	26,667	-	-	-
Transportation	207,507	-	154,346	-
Capital Outlay	152,817	-	-	-
Debt Service	42,384	-	-	-
Total Governmental Activities	1,215,856	101,107	192,633	-
<u>Business Type Activities:</u>				
Water	978,129	834,575	-	-
Wastewater	333,687	471,321	-	-
Other Enterprise	139,295	176,100	-	-
Total Business Type Activities	1,451,111	1,481,996	-	-
Total	\$ 2,666,967	\$ 1,583,103	\$ 192,633	\$ -

General Receipts:

Property Taxes Levied for:

General Purposes

Debt Services

Assessments

Municipal Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Proceeds from Loan

Interest

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

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

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (210,800)	\$ -	\$ (210,800)
(395,875)	-	(395,875)
4,059	-	4,059
(22,823)	-	(22,823)
(21,648)	-	(21,648)
(26,667)	-	(26,667)
(53,161)	-	(53,161)
(152,817)	-	(152,817)
(42,384)	-	(42,384)
<u>(922,116)</u>	<u>-</u>	<u>(922,116)</u>
-	(143,554)	(143,554)
-	137,634	137,634
-	36,805	36,805
<u>-</u>	<u>30,885</u>	<u>30,885</u>
<u>(922,116)</u>	<u>30,885</u>	<u>(891,231)</u>
105,215	-	105,215
22,899	-	22,899
105,091	-	105,091
524,950	-	524,950
87,934	-	87,934
29,714	-	29,714
83,688	-	83,688
9,572	16,735	26,307
<u>969,063</u>	<u>16,735</u>	<u>985,798</u>
46,947	47,620	94,567
1,415,185	2,854,124	4,269,309
<u>\$ 1,462,132</u>	<u>\$ 2,901,744</u>	<u>\$ 4,363,876</u>

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2005

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 707,849	\$ 116,389	\$ 637,894	\$ 1,462,132
Total Assets	<u>\$ 707,849</u>	<u>\$ 116,389</u>	<u>\$ 637,894</u>	<u>\$ 1,462,132</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	\$ 47,930	\$ 9,568	\$ 2,357	\$ 59,855
Unreserved, Reported in:				
General Fund	659,919	-	-	659,919
Special Revenue Funds	-	106,821	458,410	565,231
Debt Service Fund	-	-	62,933	62,933
Capital Projects Funds	-	-	5,835	5,835
Permanent Funds	-	-	108,359	108,359
Total Fund Balances	<u>\$ 707,849</u>	<u>\$ 116,389</u>	<u>\$ 637,894</u>	<u>\$ 1,462,132</u>

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN MODIFIED CASH BASIS
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	General	Street	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Municipal Income Taxes	\$ 524,950	\$ -	\$ -	\$ 524,950
Property and Other Local Taxes	105,215	-	22,899	128,114
Special Assessments	-	-	105,091	105,091
Charges for Services	72,031	-	3,213	75,244
Fines, Licenses and Permits	24,497	-	1,366	25,863
Intergovernmental	122,860	120,708	36,999	280,567
Interest	82,211	-	1,477	83,688
Miscellaneous	7,072	-	2,500	9,572
Total Receipts	938,836	120,708	173,545	1,233,089
<u>Disbursements:</u>				
Current:				
General Government	220,161	-	-	220,161
Security of Persons and Property	489,494	-	-	489,494
Public Health Services	27,609	-	1,718	29,327
Leisure Time Activities	-	-	25,136	25,136
Community Environment	8,330	-	13,318	21,648
Basic Utility Services	-	-	26,667	26,667
Transportation	-	153,866	53,641	207,507
Capital Outlay	68,367	16,000	68,450	152,817
Debt Service:				
Principal Retirement	-	-	35,867	35,867
Interest and Fiscal Charges	-	-	6,517	6,517
Total Disbursements	813,961	169,866	231,314	1,215,141
Excess of Receipts Over (Under) Disbursements	124,875	(49,158)	(57,769)	17,948
<u>Other Financing Sources (Uses):</u>				
Transfers In	-	65,000	41,516	106,516
Transfers Out	(106,516)	-	-	(106,516)
Proceeds from Loan	-	-	29,714	29,714
Other Financing Uses	(715)	-	-	(715)
Total Other Financing Sources (Uses)	(107,231)	65,000	71,230	28,999
 Net Change in Fund Balances	 17,644	 15,842	 13,461	 46,947
Fund Balances Beginning of Year	690,205	100,547	624,433	1,415,185
Fund Balances End of Year	\$ 707,849	\$ 116,389	\$ 637,894	\$ 1,462,132

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Receipts:</u>				
Municipal Income Taxes	\$ 550,000	\$ 550,000	\$ 524,950	\$ (25,050)
Property and Other Local Taxes	111,556	109,377	105,215	(4,162)
Charges for Services	65,000	65,000	72,031	7,031
Fines, Licenses and Permits	35,000	35,000	24,497	(10,503)
Intergovernmental	94,600	94,600	122,860	28,260
Interest	35,000	35,000	82,211	47,211
Miscellaneous	5,000	5,000	7,072	2,072
Total Receipts	896,156	893,977	938,836	44,859
<u>Disbursements:</u>				
Current:				
General Government	275,835	278,685	225,779	52,906
Security of Persons and Property	541,460	544,110	500,623	43,487
Public Health Services	141,668	139,668	27,609	112,059
Leisure Time Activities	-	-	-	-
Community Environment	8,400	10,600	8,330	2,270
Basic Utility Services	-	-	-	-
Transportation	-	-	-	-
Capital Outlay	-	-	99,550	(99,550)
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Disbursements	967,363	973,063	861,891	111,172
Excess of Receipts Over (Under) Disbursements	(71,207)	(79,086)	76,945	156,031
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(106,516)	(106,516)	(106,516)	-
Other Financing Sources (Uses)	(12,000)	(12,000)	(715)	11,285
Total Other Financing Sources (Uses)	(118,516)	(118,516)	(107,231)	11,285
Net Change in Fund Balances	(189,723)	(197,602)	(30,286)	167,316
Fund Balance at Beginning of Year	666,880	666,880	666,880	-
Prior Year Encumbrances Appropriated	23,325	23,325	23,325	-
Fund Balance at End of Year	\$ 500,482	\$ 492,603	\$ 659,919	\$ 167,316

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION FUND
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Municipal Income Taxes	\$ -	\$ -	\$ -	\$ -
Property and Other Local Taxes	-	-	-	-
Special Assessments	-	-	-	-
Charges for Services	-	-	-	-
Fines, Licenses and Permits	-	-	-	-
Intergovernmental	80,000	115,000	120,708	5,708
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total Receipts	<u>80,000</u>	<u>115,000</u>	<u>120,708</u>	<u>5,708</u>
<u>Disbursements:</u>				
Current:				
General Government	-	-	-	-
Security of Persons and Property	-	-	-	-
Public Health Services	-	-	-	-
Leisure Time Activities	-	-	-	-
Community Environment	-	-	-	-
Basic Utility Services	-	-	-	-
Transportation	189,395	191,395	163,434	27,961
Capital Outlay	-	-	16,000	(16,000)
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Disbursements	<u>189,395</u>	<u>191,395</u>	<u>179,434</u>	<u>11,961</u>
Excess of Receipts Over (Under) Disbursements	<u>(109,395)</u>	<u>(76,395)</u>	<u>(58,726)</u>	<u>17,669</u>
<u>Other Financing Sources (Uses):</u>				
Notes Issued	-	-	-	-
Sale of Capital Assets	-	-	-	-
Transfers In	60,000	65,000	65,000	-
Transfers Out	-	-	-	-
Other Financing Sources (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Net Change in Fund Balances	<u>(49,395)</u>	<u>(11,395)</u>	<u>6,274</u>	<u>17,669</u>
Fund Balance at Beginning of Year	96,617	96,617	96,617	-
Prior Year Encumbrances Appropriated	3,930	3,930	3,930	-
Fund Balance at End of Year	<u>\$ 51,152</u>	<u>\$ 89,152</u>	<u>\$ 106,821</u>	<u>\$ 17,669</u>

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2005

	Water Fund	Wastewater Fund	Water Capital Fund	Other Enterprise	Total Proprietary Funds
<u>Assets:</u>					
Equity in Pooled Cash & Cash Equivalents	\$ 417,660	\$ 406,559	\$ -	\$ 50,204	\$ 874,423
Investments	272,547	300,000	781,510	673,264	2,027,321
Total Assets	\$ 690,207	\$ 706,559	\$ 781,510	\$ 723,468	\$ 2,901,744
<u>Net Assets:</u>					
Restricted for:					
Capital Projects	\$ -	\$ -	\$ 781,510	\$ 681,504	\$ 1,463,014
Debt Service	-	-	-	29,658	29,658
Unrestricted	690,207	706,559	-	12,306	1,409,072
Total Net Assets	\$ 690,207	\$ 706,559	\$ 781,510	\$ 723,468	\$ 2,901,744

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Water Fund	Wastewater Fund	Water Capital Fund	Other Enterprise Funds	Total Enterprise Funds
<i><u>Operating Receipts:</u></i>					
Charges for Services	\$ 834,575	\$ 471,321	\$ 122,930	\$ 53,170	\$ 1,481,996
Other Operating Receipts	10,280	-	3,500	-	13,780
Total Operating Receipts	844,855	471,321	126,430	53,170	1,495,776
<i><u>Operating Disbursements:</u></i>					
Personal Services	238,164	113,870	-	-	352,034
Fringe Benefits	85,407	20,923	-	-	106,330
Travel and Transportation	1,413	935	-	-	2,348
Contractual Services	166,675	97,167	-	-	263,842
Materials and Supplies	112,170	34,571	-	-	146,741
Capital Outlay	68,829	66,221	-	31,112	166,162
Total Operating Disbursements	672,658	333,687	-	31,112	1,037,457
Operating Income/(Loss)	172,197	137,634	126,430	22,058	458,319
<i><u>Non-Operating Receipts/(Disbursements):</u></i>					
Redemption of Principal	(223,103)	-	-	(52,553)	(275,656)
Interest on Debt	(82,368)	-	-	(54,160)	(136,528)
Non-Operating Receipts	-	-	-	2,955	2,955
Non-Operating Disbursements	-	-	-	(1,470)	(1,470)
Total Non-Operating Rec/(Disb)	(305,471)	-	-	(105,228)	(410,699)
Income/(Loss) before Transfers	(133,274)	137,634	126,430	(83,170)	47,620
Transfers In	-	-	-	172,583	172,583
Transfers Out	(38,300)	(134,283)	-	-	(172,583)
Change in Net Assets	(171,574)	3,351	126,430	89,413	47,620
Net Assets - Beginning of Year	861,781	703,208	655,080	634,055	2,854,124
Net Assets - End of Year	\$ 690,207	\$ 706,559	\$ 781,510	\$ 723,468	\$ 2,901,744

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

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VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1 - Reporting Entity

The Village of North Baltimore, Wood County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire and EMS department.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets - modified cash basis and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's only major governmental funds are the General Fund and the Street Construction and Repair Fund.

General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary.

Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and wastewater funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village

Wastewater Fund - The wastewater fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Village's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2005, the Village invested in nonnegotiable certificates of deposit, U.S. Treasury Bills, and a money market fund. The nonnegotiable certificates of deposit are reported at cost. The Village's U.S. Treasury Bills and money market fund investments are recorded at the amount reported by Charles Schwab and SJS Investments at December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, Village Council's directives or debt related restrictions. Interest receipts credited to the General Fund during 2005 were \$82,211.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature, or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or certain legislation. Restricted assets represent money in the Cramer and Zarb funds that restrict the principal amount from being spent and the interest amount restricted for cemetery use.

G. Accumulated Leave

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for debt services and capital expenditure and un-expendable funds.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

L. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Note 3 - Change in Basis of Accounting and Restatement of Fund Equity

For calendar year 2004, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For calendar year 2005, the Village has implemented the modified cash basis of accounting as described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 - Accountability and Compliance

A. Compliance

Expenditures exceeded appropriation in the General Fund and the Street Construction Fund for the year ended December 31, 2005 in the amounts of \$68,367 and \$16,000, respectively. These violations were the result of audit reclassification entries.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance — Budget and Actual — Budgetary Basis presented for the general fund and the street construction fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$47,930 for the general fund and \$9,568 for the street construction fund.

Note 6 - Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active 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 five 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.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 securities shall be direct issuances of federal government agencies or instrumentalities;

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 6 - Deposits and Investments – (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (I) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$110 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalent".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$2,205,720 of the Village's bank balances of \$2,405,720 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 6 - Deposits and Investments – (continued)

Investments

As of December 31, 2005, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan	\$ 277,054	7/21/2006
Federal National Mortgage	187,433	11/15/2006
Federal Home Loan	191,168	12/4/2006
Federal Home Loan Mortgage	199,295	1/5/2007
Federal Home Loan Mortgage	199,422	4/28/2006
Freddie Mac	199,326	7/14/2006
U.S. Treasury Note	274,055	8/15/2006
U.S. Treasury Note	301,828	6/30/2006
U.S. Treasury Note	197,740	10/31/2006
Total Portfolio	<u>2,027,321</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short term 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 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.

U.S. Treasury Investment – Category 1 – Carrying Value \$2,027,321 – Fair Value \$2,007,183.

Note 7 - Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village has a contract with City of Cleveland - Central Collection Agency to collect income tax on behalf of the Village.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 8 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$2.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts was \$44,651,714.

Note 9 - Risk Management

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

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

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carries, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 or property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member. You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$73,875, \$69,530, and \$69,967 respectively. The full amount has been contributed for 2005, 2004 and 2003.

B. Ohio Police and Fire Pension Fund

The Village 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. 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 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$36,952, \$36,651, and \$35,100. The Village has paid all contributions required through December 31, 2005.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 11 - Post-employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 11 - Post-employment Benefits – (continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor 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 the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund post-employment benefits were \$14,686 for police. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 12 - Debt

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Fire Truck	89,000	4.85%
Ohio Public Works Commission - CE32B	63,229	0.00%
Ohio Water Development Authority Note - #1798	589,499	8.35%
Ohio Water Development Authority Note - #3330	146,286	6.39%
Ohio Water Development Authority Note - #2834	1,692,275	2.00%
Ohio Water Development Authority Note - #3380	1,850,650	2.00%
Ohio Water Development Authority Note - #3921	<u>286,077</u>	2.00%
Total	<u>\$ 4,717,016</u>	

The Village has one outstanding general obligation bond issue at December 31, 2005. It is backed by the full faith and credit of the Village of North Baltimore and will be paid from the Debt Service Fund with property tax revenues collected for the purpose of these bonds. The Interest rate is 4.85%.

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

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 12 – Debt – (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$873,538 are scheduled as follows:

<u>Year Ending December 31,</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Bonds</u>	<u>TOTAL</u>
2006	\$ 408,453	\$ 4,361	\$ 32,316	\$ 445,130
207	409,134	4,361	32,958	446,453
2008	409,872	4,361	32,504	446,737
2009	410,672	4,361	-	415,033
2010	411,538	4,361	-	415,899
2011-2015	1,923,254	21,805	-	1,945,059
2016-2020	1,320,895	19,618	-	1,340,513
2021-2025	135,730	-	-	135,730
2026-2030	-	-	-	-
	<u>\$ 5,429,548</u>	<u>\$ 63,228</u>	<u>\$ 97,778</u>	<u>\$ 5,590,554</u>

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 13 - Interfund Transfers

The following transfers were made during 2005:

	2005
Street Construction Fund	\$ 65,000
Other Governmental Funds	41,516
Total Transfers from the General Fund	<u>106,516</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 14 - Contingent Liabilities

The Village is currently a plaintiff in a lawsuit brought against a former resident and property owner. Although the Village could incur costs as the result of this lawsuit, management believes the resolution of this matter 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. Grantors 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. In September of 2006, the Village acquired the property in dispute for a cost under \$10,000 and thus the lawsuit is settled.

Note 15 - Construction and Contractual Commitments

On March 21, 2006, the Village agreed to purchase a new street sweeper at a cost of \$132,364 less \$17,000 on trade-in.

The Village has also entered into a contract with Peterman and Associates to design a sewer separation project from Water and Broadway Street. This is an estimated \$3,000,000 project. The Village has received notification of a \$300,000 STAG Grant through Congressional appropriation from the United States Environmental Protection Agency. In addition, the Village has applied for \$300,000 in funding from State Issue I and will finance the remaining costs through an OWDA loan or a grant/loan combination through the Rural Development Office of the USDA.

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

June 29, 2006

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

Village of North Baltimore
Wood County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of North Baltimore, Wood County, Ohio, (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 29, 2006, wherein we noted the Village prepared its financial statements following the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-8588-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We believe the reportable condition described in the accompanying schedule of findings as item 2005-8588-001 to be a material weakness. In a separate letter to the Village's management dated June 28, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Village of North Baltimore in a separate letter dated June 28, 2006.

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



VILLAGE OF NORTH BALTIMORE
ALLEN COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS

December 31, 2005

**Findings Related to the Financial Statements Required to be Reported
in Accordance with GAGAS**

Finding Number	2005 -8588 - 001
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Internal Control/Reportable Condition

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

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

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

VILLAGE OF NORTH BALTIMORE
WOOD COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	Bank Reconciliations	NO	Not Corrected - Repeated as current year finding 2005-8588-001



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VILLAGE OF NORTH BALTIMORE

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 2, 2007**