



Dave Yost • Auditor of State

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21

This page intentionally left blank.



Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 19, 2012

This page intentionally left blank



Dave Yost • 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, 2011 and 2010. 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 villages 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2011 and 2010 of the Village of Baltimore, Fairfield County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Baltimore adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 19, 2012

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 81,457	\$ 20,640	\$ -	\$ 102,097
Municipal Income Tax	363,564	232,210	-	595,774
Intergovernmental	145,796	247,403	-	393,199
Charges for Services	43,342	-	-	43,342
Fines, Licenses and Permits	75,120	3,455	-	78,575
Earnings on Investments	4,352	37	-	4,389
Miscellaneous	5,530	17,421	-	22,951
<i>Total Cash Receipts</i>	<u>719,161</u>	<u>521,166</u>	<u>-</u>	<u>1,240,327</u>
Cash Disbursements				
Current:				
Security of Persons and Property	385,249	1,318	-	386,567
Public Health Services	17,641	-	-	17,641
Leisure Time Activities	38,040	-	-	38,040
Community Environment	25,293	-	-	25,293
Basic Utility Services	12,356	-	-	12,356
Transportation	-	320,318	-	320,318
General Government	162,026	13,812	-	175,838
Capital Outlay	76,332	144,392	593	221,317
<i>Total Cash Disbursements</i>	<u>716,937</u>	<u>479,840</u>	<u>593</u>	<u>1,197,370</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,224</u>	<u>41,326</u>	<u>(593)</u>	<u>42,957</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	3,811	-	-	3,811
<i>Total Other Financing Receipts</i>	<u>3,811</u>	<u>-</u>	<u>-</u>	<u>3,811</u>
<i>Net Change in Fund Cash Balances</i>	6,035	41,326	(593)	46,768
<i>Fund Cash Balances, January 1</i>	<u>22,096</u>	<u>67,352</u>	<u>593</u>	<u>90,041</u>
Fund Cash Balances, December 31				
Restricted	-	108,678	-	108,678
Unassigned (Deficit)	28,131	-	-	28,131
<i>Fund Cash Balances, December 31</i>	<u>\$ 28,131</u>	<u>\$ 108,678</u>	<u>\$ -</u>	<u>\$ 136,809</u>

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

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Types		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$ 1,452,825	\$ -	\$ -	\$ 1,452,825
Earnings on Investments	-	-	7	7
Miscellaneous	31,487	-	-	31,487
<i>Total Operating Cash Receipts</i>	<u>1,484,312</u>	<u>-</u>	<u>7</u>	<u>1,484,319</u>
Operating Cash Disbursements				
Personal Services	499,631	-	-	499,631
Transportation	2,721	-	-	2,721
Contractual Services	188,689	-	-	188,689
Supplies and Materials	186,453	-	-	186,453
<i>Total Operating Cash Disbursements</i>	<u>877,494</u>	<u>-</u>	<u>-</u>	<u>877,494</u>
<i>Operating Income (Loss)</i>	<u>606,818</u>	<u>-</u>	<u>7</u>	<u>606,825</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental	15,220	-	-	15,220
Fees and Fines Collected	-	31,180	-	31,180
Fees and Fines Disbursed	-	(31,598)	-	(31,598)
Other Debt Proceeds	166,065	-	-	166,065
Capital Outlay	(384,095)	-	-	(384,095)
Principal Retirement	(345,116)	-	-	(345,116)
Interest and Other Fiscal Charges	(303,445)	-	-	(303,445)
Other Financing Uses	(7,245)	-	-	(7,245)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(858,616)</u>	<u>(418)</u>	<u>-</u>	<u>(859,034)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(251,798)</u>	<u>(418)</u>	<u>7</u>	<u>(252,209)</u>
<i>Fund Cash Balances, January 1</i>	<u>940,727</u>	<u>1,525</u>	<u>19,303</u>	<u>961,555</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 688,929</u>	<u>\$ 1,107</u>	<u>\$ 19,310</u>	<u>\$ 709,346</u>
Reserve for Encumbrances, December 31	<u>\$ 25,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,917</u>

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 90,531	\$ 20,985	\$ -	\$ 111,516
Municipal Income Tax	293,370	221,313	-	514,683
Intergovernmental	102,701	126,263	-	228,964
Charges for Services	39,883	-	-	39,883
Fines, Licenses and Permits	59,177	6,234	-	65,411
Earnings on Investments	1,145	48	-	1,193
Miscellaneous	22,138	4,580	-	26,718
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	608,945	379,423	-	988,368
Cash Disbursements:				
Current:				
Security of Persons and Property	373,517	4,274	-	377,791
Public Health Services	18,975	-	-	18,975
Leisure Time Activities	30,415	-	-	30,415
Community Environment	33,077	-	-	33,077
Basic Utility Service	9,609	-	-	9,609
Transportation	-	335,633	-	335,633
General Government	163,418	22,994	-	186,412
Capital Outlay	3,522	40,975	10,137	54,634
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	632,533	403,876	10,137	1,046,546
Total Receipts Under Disbursements	(23,588)	(24,453)	(10,137)	(58,178)
Other Financing Receipts:				
Sale of Fixed Assets	6,550	-	-	6,550
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	6,550	-	-	6,550
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements	(17,038)	(24,453)	(10,137)	(51,628)
Fund Cash Balances, January 1	39,134	91,805	10,730	141,669
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 22,096	\$ 67,352	\$ 593	\$ 90,041
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$ -	\$ 953	\$ -	\$ 953
	<hr/>	<hr/>	<hr/>	<hr/>

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

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Agency	Private Purpose Trust	
Operating Cash Receipts:				
Charges for Services	\$ 1,281,440	\$ -	\$ -	\$ 1,281,440
Earnings on Investments	-	-	12	12
Miscellaneous	33,167	-	-	33,167
Total Operating Cash Receipts	1,314,607	-	12	1,314,619
Operating Cash Disbursements:				
Personal Services	540,416	-	-	540,416
Transportation	996	-	-	996
Contractual Services	154,318	-	-	154,318
Supplies and Materials	232,828	-	-	232,828
Total Operating Cash Disbursements	928,558	-	-	928,558
Operating Income	386,049	-	12	386,061
Non-Operating Receipts (Disbursements):				
Intergovernmental	42,568	-	-	42,568
Fees and Fines Collected	-	24,004	-	24,004
Fees and Fines Disbursed	-	(22,479)	-	(22,479)
Other Debt Proceeds	3,389,202	-	-	3,389,202
Capital Outlay	(645,029)	-	-	(645,029)
Redemption of Principal	(2,923,235)	-	-	(2,923,235)
Interest and Other Fiscal Charges	(228,183)	-	-	(228,183)
Other Non-Operating Cash Disbursements	(7,700)	-	-	(7,700)
Total Non-Operating Cash Receipts (Disbursements)	(372,377)	1,525	-	(370,852)
Net Receipts Over Disbursements	13,672	1,525	12	15,209
Fund Cash Balances, January 1	927,055	-	19,291	946,346
Fund Cash Balances, December 31	\$ 940,727	\$ 1,525	\$ 19,303	\$ 961,555
Reserve for Encumbrances, December 31	\$ 30,978	\$ -	\$ -	\$ 30,978

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, 2011 AND 2010**

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, Ohio (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 services. The Village contracts with the Village of Pleasantville to provide security of persons and property. The Village contracts with Basil Joint Fire District to receive fire protection and emergency medical services.

The Village participates in three jointly governed organizations. Note 10 to the financial statements provides additional information for these entities. These organizations are:

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 48 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village.

Mid Ohio Regional Planning Commission: The Village joined Mid Ohio Regional Planning Commission in June of 2009. The Village Administrator represents the Village on the Board of the Mid Ohio Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village.

Basil Joint Fire District: The Basil Joint Fire District provides fire protection and rescue services to the Village and Liberty Township residents. The Village appoints a member of Council on the Fire District's five-member Board of Trustees.

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).

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

C. Deposits 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, 2011 AND 2010
(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:

1. General Fund

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

2. 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.

3. Capital Project Funds

These funds account 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 make renovations to the Village Town Hall.

4. 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.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account 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.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Continued)

The Village's private purpose trust fund is for the maintenance and upkeep of the Basil Cemetery.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Village's Mayor's Court activity.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The 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.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

1. Nonspendable

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. 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.

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$323,386	\$529,158
Total deposits	323,386	529,158
STAR Ohio	522,769	522,438
Total investments	522,769	522,438
Total deposits and investments	\$846,155	\$1,051,596

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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 763,920	\$ 722,972	\$ (40,948)
Special Revenue	582,068	521,166	(60,902)
Enterprise	2,167,889	1,665,597	(502,292)
Trust	10	7	(3)
Total	\$ 3,513,887	\$ 2,909,742	\$ (604,145)

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 722,253	\$ 716,937	\$ 5,316
Special Revenue	550,100	479,840	70,260
Capital Projects	8,593	593	8,000
Enterprise	2,824,181	1,943,312	880,869
Total	\$ 4,105,127	\$ 3,140,682	\$ 964,445

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$819,000	\$615,495	(\$203,505)
Special Revenue	639,291	379,423	(259,868)
Enterprise	5,174,936	4,746,377	(428,559)
Trust	100	12	(88)
Total	\$6,633,327	\$5,741,307	(\$892,020)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$789,257	\$632,533	\$156,724
Special Revenue	637,445	404,829	232,616
Capital Projects	10,730	10,137	593
Enterprise	5,198,700	4,763,683	435,017
Trust	2,500	0	2,500
Total	\$6,638,632	\$5,811,182	\$827,450

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.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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.

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. During 2010, income tax proceeds were allocated 57 percent to the General Fund and 43 percent to the Street Construction, Maintenance and Repair Fund. During 2011, the percent allocation remained the same however, the Village passed an Ordinance to allocate 100 percent of the October and November proceeds to the General Fund, resulting in an allocation of 61 percent to the General Fund and 39 percent to the Street Construction, Maintenance and Repair Fund.

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (4659)	\$ 5,027,172	2.75%
Ohio Water Development Authority Loan (4763)	18,294	2.75%
Ohio Public Works Commission Loan (CQ18J)	233,115	0.00%
Ohio Public Works Commission Loan (CQ31K)	315,000	0.00%
Ohio Public Works Commission Loan (CQ04M)	86,976	0.00%
Various Purpose Bonds	<u>3,025,000</u>	4.94%
Total	<u><u>\$ 8,705,557</u></u>	

The Ohio Water Development Authority (OWDA) loan #4659 relates to a sewer plant upgrade and expansion project the Ohio Environmental Protection Agency mandated. OWDA approved up to \$5,437,797 in a loan to the Village for this project. The Village began making payments on this loan; the principal balance as of December 31, 2011 totals \$5,027,172. 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.

OWDA loan #4763 relates to a water master plan. 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.

On May 21, 2009, the Village issued a \$2,648,000 bond anticipation note for the wastewater treatment plant, the east water tower, and the water line extension project. This note matured on May 21, 2010. On May 21, 2010, the Village issued various purpose bonds for the purpose of improving the Sanitary Sewer System and the Water System. The Bonds issued totaled \$3,085,000. The Village repays the bonds annually in accordance with the amortization schedule. Water and 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, 2011 AND 2010
(Continued)**

6. Debt (Continued)

The Ohio Public Works Commission (OPWC) loan CQ18J relates to the southeast lift station and force main project. OPWC approved up to \$273,000 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$6,660, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

OPWC loan CQ31K relates to the East Water Tower and Waterline Project. OPWC approved up to \$350,000 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$8,750, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

OPWC loan CQ04M relates to the 2008 Sanitary Sewer and Manhole Rehab Project. OPWC approved up to \$91,554 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$2,289, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

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

Year ending December 31:	OWDA Loan #4763	OPWC Loan #CQ18J	OPWC Loan #CQ31K	OPWC Loan #CQ04M	Various Purpose Bonds
2012	\$ 18,672	\$ 13,320	\$ 17,500	\$ 4,577	\$ 216,103
2013	-	13,320	17,500	4,577	\$ 219,303
2014	-	13,320	17,500	4,577	\$ 216,053
2015	-	13,320	17,500	4,577	\$ 212,803
2016	-	13,320	17,500	4,577	\$ 214,390
2017-2021	-	66,600	87,500	22,889	\$ 1,035,675
2022-2026	-	66,600	87,500	22,889	\$ 1,006,038
2027-2030	-	33,315	52,500	18,313	\$ 790,160
2031-2035	-	-	-	-	\$ 965,013
2036-2040	-	-	-	-	\$ 935,725
Total	<u>\$ 18,672</u>	<u>\$ 233,115</u>	<u>\$ 315,000</u>	<u>\$ 86,976</u>	<u>\$ 5,811,260</u>

7. Retirement Systems

The Village's Police Officers belong to the 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 2011 and 2010, OP&F participants contributed 10 percent of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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.

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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 48 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 2011 and 2010, the Village's membership amount was \$576. There is no ongoing financial responsibility by the Village.

Mid Ohio Regional Planning Commission: The Village joined Mid Ohio Regional Planning Commission in June of 2009. The Village Administrator represents the Village on the Board of the Mid Ohio Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2011 and 2010, the Village's membership amount was \$905 and \$903, respectively. There is no ongoing financial responsibility by the Village.

Basil Joint Fire District: The Basil Joint Fire District provides fire protection and rescue services to the 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.

This page intentionally left blank.



Dave Yost • 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, 2011 and 2010, have issued our report thereon dated September 19, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, during 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

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 also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 19, 2012.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

September 19, 2012

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Material Weakness

Financial Statement Presentation

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Fiscal Officer did not always accurately post receipts to the Village's accounting system. The following posting errors were noted:

- The Village did not record \$166,065 in debt proceeds received from OWDA during 2011;
- The Village incorrectly recorded grant monies received from OPWC as miscellaneous revenues during 2011, totaling \$33,163;
- The Village incorrectly recorded interest expense as principal for the Various Purpose Bonds during 2011 totaling, \$28,153;
- The Village incorrectly recorded principal for the Sewer Fund as capital outlay, totaling \$8,994;
- The Village incorrectly recorded principal and interest in the Waste Water Treatment Plant Fund instead of the Water Fund during 2011, totaling \$8,961 and \$375, respectively;
- The Village did not record Mayor's Court Activity in the Agency Fund during 2011, totaling \$31,180 in revenues, \$31,598 in expenditures and \$1,107 in Fund Balance;
- The Village did not record Mayor's Court Activity in the Agency Fund during 2010, totaling \$24,004 in revenues, \$22,479 in expenditures and \$1,525 in Fund Balance.

Not posting financial activity accurately to the ledgers resulted in the financial statements requiring audit adjustments and reclassification entries, as well as inaccurate accounting records making it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's Fiscal Officer takes steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Governmental Accounting Solutions line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

The Village's financial statements and accounting records have been adjusted to accurately reflect the proper line item classifications and fund postings.

Official's Response:

The financial statements are reviewed during the preparing of the annual report and after.

This page intentionally left blank.



Dave Yost • 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
OCTOBER 23, 2012