



**Auditor of State
Betty Montgomery**

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

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**Auditor of State
Betty Montgomery**

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, 2003, and December 31, 2002. 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.

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

Subsequent to the start of the audit, certain Mayor's Court records for 2003 and 2002 were found to be missing. As a result, we were unable to obtain the documentation supporting the financial activities of the Mayor's Court for 2003 and 2002. Those financial activities are included in the Agency fund type and represent 100% of the activity in that fund type. Accordingly, we were unable to form an opinion, and we express no opinion, concerning the amounts reported in the Agency fund type. Mayor's Court activities also represent 43% and 48%, respectively, of the Fines, Licenses, and Permits receipts reported in the General Fund in 2003 and 2002.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except that we express no opinion on the Agency fund type as discussed in the second preceding paragraph, and except for the effects of such adjustments, if any, as might have been determined to be necessary for the General Fund had we been able to obtain the documentation supporting the Mayor's Court activity as discussed in the second preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Baltimore, Fairfield County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 30, 2004

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$311,438	\$187,570	\$0	\$0	\$0	\$499,008
Intergovernmental Receipts	104,298	147,941	0	69,624	0	321,863
Charges for Services	14,300	0	0	0	0	14,300
Fines, Licenses, and Permits	31,182	114	0	0	0	31,296
Earnings on Investments	16,701	886	0	0	0	17,587
Miscellaneous	7,875	0	0	0	0	7,875
Total Cash Receipts	485,794	336,511	0	69,624	0	891,929
Cash Disbursements:						
Current:						
Security of Persons and Property	147,893	0	0	0	0	147,893
Public Health Services	18,121	0	0	0	0	18,121
Leisure Time Activities	25,245	0	0	0	0	25,245
Community Environment	17,192	0	0	0	0	17,192
Transportation	0	179,765	0	0	0	179,765
General Government	127,514	36,547	0	0	0	164,061
Debt Service:						
Principal Payments	0	0	0	23,819	0	23,819
Interest Payments	0	0	0	21,490	0	21,490
Capital Outlay	59,629	87,736	0	69,624	0	216,989
Total Cash Disbursements	395,594	304,048	0	114,933	0	814,575
Total Receipts Over/(Under) Disbursements	90,200	32,463	0	(45,309)	0	77,354
Other Financing Receipts and (Disbursements):						
Transfers-In	0	0	0	75,000	0	75,000
Advances-In	43,500	0	0	0	0	43,500
Transfers-Out	(200,000)	0	0	0	0	(200,000)
Advances-Out	0	(43,500)	0	0	0	(43,500)
Other Uses	(660)	0	0	0	0	(660)
Total Other Financing Receipts/(Disbursements)	(157,160)	(43,500)	0	75,000	0	(125,660)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(66,960)	(11,037)	0	29,691	0	(48,306)
Fund Cash Balances, January 1	406,079	242,857	2,175	98,543	2,370	752,024
Fund Cash Balances, December 31	\$339,119	\$231,820	\$2,175	\$128,234	\$2,370	\$703,718
Reserves for Encumbrances, December 31	\$9,156	\$18,408	\$0	\$0	\$0	\$27,564

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$743,935	\$0	\$0	\$743,935
Total Operating Cash Receipts	743,935	0	0	743,935
Operating Cash Disbursements:				
Personal Services	294,425	0	0	294,425
Travel Transportation	389	0	0	389
Contractual Services	150,028	0	0	150,028
Supplies and Materials	91,485	0	0	91,485
Capital Outlay	937,323	0	0	937,323
Total Operating Cash Disbursements	1,473,650	0	0	1,473,650
Operating Income/(Loss)	(729,715)	0	0	(729,715)
Non-Operating Cash Receipts:				
Intergovernmental Receipts	101,786	0	0	101,786
Proceeds from Notes and Bonds	1,020,000	0	0	1,020,000
Interest	0	110	0	110
Other Non-Operating Receipts	0	0	12,503	12,503
Total Non-Operating Cash Receipts	1,121,786	110	12,503	1,134,399
Non-Operating Cash Disbursements:				
Debt Service	1,188,463	0	0	1,188,463
Other Non-Operating Cash Disbursements	5,535	0	15,981	21,516
Total Non-Operating Cash Disbursements	1,193,998	0	15,981	1,209,979
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(801,927)	110	(3,478)	(805,295)
Transfers-In	125,000	0	0	125,000
Net Receipts Over/(Under) Disbursements	(676,927)	110	(3,478)	(680,295)
Fund Cash Balances, January 1	1,453,277	24,469	3,820	1,481,566
Fund Cash Balances, December 31	\$776,350	\$24,579	\$342	\$801,271
Reserve for Encumbrances, December 31	\$6,350	\$0	\$0	\$6,350

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$285,285	\$206,080	\$0	\$0	\$0	\$491,365
Intergovernmental Receipts	111,407	99,732	0	50,590	0	261,729
Charges for Services	9,380	0	0	0	0	9,380
Fines, Licenses, and Permits	27,213	135	0	0	0	27,348
Earnings on Investments	23,252	1,148	0	0	0	24,400
Miscellaneous	10,760	2,143	0	0	0	12,903
Total Cash Receipts	467,297	309,238	0	50,590	0	827,125
Cash Disbursements:						
Current:						
Security of Persons and Property	130,577	0	0	0	0	130,577
Public Health Services	17,996	0	0	0	0	17,996
Leisure Time Activities	32,199	0	0	0	0	32,199
Community Environment	14,897	0	0	0	0	14,897
Transportation	0	194,105	0	0	0	194,105
General Government	134,085	35,184	0	0	0	169,269
Debt Service:						
Principal Payments	0	0	0	243,000	0	243,000
Interest Payments	0	0	0	0	0	0
Capital Outlay	77,205	72,996	0	124,323	0	274,524
Total Cash Disbursements	406,959	302,285	0	367,323	0	1,076,567
Total Receipts Over/(Under) Disbursements	60,338	6,953	0	(316,733)	0	(249,442)
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes	0	0	0	243,000	0	243,000
Transfers-In	0	0	0	100,000	0	100,000
Advances-In	0	45,000	0	0	0	45,000
Transfers-Out	(250,000)	0	0	0	0	(250,000)
Advances-Out	(45,000)	0	0	0	0	(45,000)
Other Uses	(625)	0	0	0	0	(625)
Total Other Financing Receipts/(Disbursements)	(295,625)	45,000	0	343,000	0	92,375
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(235,287)	51,953	0	26,267	0	(157,067)
Fund Cash Balances, January 1	641,366	190,904	2,175	72,276	2,370	909,091
Fund Cash Balances, December 31	\$406,079	\$242,857	\$2,175	\$98,543	\$2,370	\$752,024
Reserves for Encumbrances, December 31	\$1,099	\$4,300	\$0	\$7,205	\$0	\$12,604

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$679,881	\$0	\$0	\$679,881
Total Operating Cash Receipts	679,881	0	0	679,881
Operating Cash Disbursements:				
Personal Services	281,914	0	0	281,914
Travel Transportation	570	0	0	570
Contractual Services	147,056	0	0	147,056
Supplies and Materials	87,811	0	0	87,811
Capital Outlay	92,403	0	0	92,403
Total Operating Cash Disbursements	609,754	0	0	609,754
Operating Income/(Loss)	70,127	0	0	70,127
Non-Operating Cash Receipts:				
Intergovernmental Receipts	6,800	0	0	6,800
Proceeds from Notes and Bonds	900,007	0	0	900,007
Interest	0	209	0	209
Other Non-Operating Receipts	0	0	13,761	13,761
Total Non-Operating Cash Receipts	906,807	209	13,761	920,777
Non-Operating Cash Disbursements:				
Debt Service	304,476	0	0	304,476
Other Non-Operating Cash Disbursements	6,090	0	9,941	16,031
Total Non-Operating Cash Disbursements	310,566	0	9,941	320,507
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	666,368	209	3,820	670,397
Transfers-In	170,000	0	0	170,000
Transfers-Out	(20,000)	0	0	(20,000)
Net Receipts Over/(Under) Disbursements	816,368	209	3,820	820,397
Fund Cash Balances, January 1	636,909	24,260	0	661,169
Fund Cash Balances, December 31	\$1,453,277	\$24,469	\$3,820	\$1,481,566
Reserve for Encumbrances, December 31	\$11,300	\$0	\$0	\$11,300

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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Baltimore, Fairfield County, Ohio, (the Village) is a body corporate and politic 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 publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund. The Village also invests in a sweep account with the depository. The sweep account is recorded at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Pool Renovation Construction Fund - This fund is used to account for pool renovations.

Creek Crossing Repair Fund - This fund is used to account for the sewer system renovations .

Waterline Fund - The Village received an Ohio Public Works Commission grant in 2003 from the State of Ohio to renovate existing water system.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds) (Continued)

Basil Cemetery Fund (Non-Expendable Trust) - This fund earns interest from bequests to be used for the care and upkeep of the cemetery.

Mayor's Court (Agency Fund) - This fund is used to account for the receipts and disbursements made by the mayor's court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except agency funds) 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 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds, except the Agency Fund which has its own account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$109,684	\$77,073
Total deposits	109,684	77,073
STAR Ohio	692,446	684,589
Sweep Account	702,859	1,471,928
Total investments	1,395,305	2,156,517
Total deposits and investments	\$1,504,989	\$2,233,590

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) 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, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$450,000	\$529,294	\$79,294
Special Revenue	267,100	336,511	69,411
Capital Projects	232,800	144,624	(88,176)
Enterprise	1,928,200	1,990,721	62,521
Nonexpendable Trust	200	110	(90)
Total	\$2,878,300	\$3,001,260	\$122,960

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$889,584	\$605,410	\$284,174
Special Revenue	471,061	365,956	105,105
Debt Service	2,175	0	2,175
Capital Projects	324,584	114,933	209,651
Enterprise	2,961,082	2,673,998	287,084
Nonexpendable Trust	9,000	0	9,000
Total	\$4,657,486	\$3,760,297	\$897,189

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$495,223	\$467,297	(\$27,926)
Special Revenue	304,100	354,238	50,138
Capital Projects	491,000	393,590	(97,410)
Enterprise	1,803,000	1,756,688	(46,312)
Nonexpendable Trust	1,000	209	(791)
Total	<u>\$3,094,323</u>	<u>\$2,972,022</u>	<u>(\$122,301)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$980,098	\$703,683	\$276,415
Special Revenue	465,871	306,585	159,286
Debt Service	2,175	0	2,175
Capital Projects	563,276	374,528	188,748
Enterprise	2,140,311	951,620	1,188,691
Nonexpendable Trust	9,000	0	9,000
Total	<u>\$4,160,731</u>	<u>\$2,336,416</u>	<u>\$1,824,315</u>

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

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

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.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Swimming Pool Renovation Bond Anticipation Note	\$120,000	1.54%
Sanitary Sewer System Bond Anticipation Note	900,000	1.27%
Total	\$1,020,000	

Swimming Pool Renovation Bond Anticipation Note - This note relates to a major renovation and upgrade of the Village pool. The Village anticipates issuing bonds to pay the debt for the pool in the long term.

Sanitary Sewer Bond Anticipation Notes - This note relates to the repair and upgrade of the sanitary sewer system within the Village. The Village anticipates issuing bonds, to pay the debt for the sanitary sewer project in the long term.

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

	Bond Anticipation Notes
Year ending December 31: 2004	\$1,033,278

The Village retired an OWDA loan in 2003.

7. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

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 insurance to full-time employees through a private carrier.

9. SUBSEQUENT EVENT

The Village discontinued Mayor's Court operations on June 22, 2004.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2003, and December 31, 2002, and have issued our report thereon dated June 30, 2004, wherein we disclaimed an opinion concerning the Agency fund type and qualified our opinion with respect to the General Fund because of a lack of accounting records supporting Mayor's Court activities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be 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 2003-002.

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Village of Baltimore
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Internal Control Required by *Government Auditing Standards*
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 to be material weaknesses. We believe the reportable condition described above is a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 30, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 30, 2004

VILLAGE OF BALTIMORE
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Disposition of Mayor's Court Collections

Ohio Rev. Code Section 733.40 states in part that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

Monies collected by the Mayor's Court were not paid to the Village Clerk/Treasurer by the first Monday of the month throughout 2002 and 2003. In some cases, payment to the Village Clerk/Treasurer was delayed by up to five months. In addition, the Mayor's monthly statement to the Village Council did not include the date that funds were paid into the Village's Treasury so as to allow Council to better monitor activity.

We recommend the Mayor and Court Clerk ensure all fines, forfeitures and costs associated with the Mayor's Court are remitted to the Village Treasury by the first Monday of each month. The Village Clerk/Treasurer should notify the Village Administrator, Mayor, and Council if such payment is not received. We also recommend the Mayor and Council ensure the Mayor's Court Monthly statement includes all relevant information including the date that amounts due to the Village were paid.

FINDING NUMBER 2003-002

Internal Controls Over Court Activities

The Village should have internal control policies and procedures over the Mayor's Court activity. Internal control procedures help ensure that transactions are completely and accurately recorded in the Court records and that the appropriate amounts are remitted to the appropriate parties in a timely manner. Such controls should include procedures to be performed by the Court Clerk when processing citations, collecting and depositing receipts, maintaining the docket, and preparing the Mayor's monthly statement and remitting collections to the Village and State. Such controls should also include monitoring activities to be performed by the Mayor, Council, and Village Clerk/Treasurer.

The Village did not have any formal policies governing internal control procedures performed by the Court Clerk and no evidence was available to show the Court Clerk was completing such procedures. The only monitoring control performed by the Mayor was a review of the bank statement.

In 2002 and 2003, the Mayor's Court records were not complete or accurate, e.g. payment information recorded on tickets did not agree to the docket or summary of receipts, disbursement information reported to Council did not agree to checks written, receipt information did not agree to deposits, etc. The lack of established procedures and monitoring of court activities increases the risk of undetected errors, fraud, and incomplete or inaccurate accounting records.

We recommend the Village establish written internal control procedures to be performed by the Court Clerk when processing Court activity, i.e. processing citations, collecting and depositing receipts, maintaining the docket, etc. Such procedures should also include reconciliation of Court accounts, preparation of the Mayor's monthly statement, and remitting collections to the Village and State. We also recommend the Village establish monitoring activities to be performed by the Mayor, Council, and Village Clerk/Treasurer. These monitoring procedures should include reconciliation of docket with tickets issued and payments received, review of bank reconciliations, periodic monitoring of the docket, and periodic comparison of the Mayor's monthly statement with supporting documentation.

**VILLAGE OF BALTIMORE
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30623-001	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded Appropriations	No	Partially Corrected – see management letter



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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
AUGUST 17, 2004**