



Dave Yost • Auditor of State

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Baltimore Local School District
Wood County
201 South Main Street
North Baltimore, Ohio 45872-1364

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Baltimore Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Baltimore Local School District, Wood County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the District implemented Government 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 March 12, 2012, on our consideration of the District'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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 12, 2012

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The management's discussion and analysis of North Baltimore Local School District (the "District") provides key information from management highlighting the overall financial performance of the District for the year ended June 30, 2011. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2011 are listed below:

- The assets of the District exceeded its liabilities at year end by \$15,547,368. Of this amount, \$2,230,916 is unrestricted. In total, net assets increased by \$1,503,175.
- The District had \$8,638,262 in expenses related to governmental activities; only \$1,489,483 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$8,651,954, made up primarily of property and income taxes, and State Foundation payments, provided the majority of funding for these programs.
- The General Fund balance increased by \$788,659 from \$1,345,925 at June 30, 2010 to \$2,134,584 at June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The District has no business-type activities.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the District as a whole. Some funds are required to be established by State law. Also, the District may establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the District's overall financial position at June 30, 2011 and 2010:

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

	Net Assets	
	Governmental Activities FY2011	Governmental Activities FY2010
<u>Assets</u>		
Current and other assets	\$ 24,568,642	\$ 26,832,325
Capital assets	8,673,920	4,256,692
Total assets	33,242,562	31,089,017
<u>Liabilities</u>		
Long-term liabilities	12,562,712	12,755,908
Other liabilities	5,132,482	4,288,916
Total liabilities	17,695,194	17,044,824
<u>Net Assets</u>		
Invested in capital assets, net of debt	3,778,989	2,868,326
Restricted:		
Capital purposes	8,776,229	9,419,415
Other purposes	301,751	132,311
Debt Service	459,483	213,405
Unrestricted	2,230,916	1,410,736
Total net assets	\$ 15,547,368	\$ 14,044,193

The largest portion of the District's net assets reflects its restriction for capital improvements. The District was awarded state funds in FY2010 for capital improvements to existing school buildings. The total award was \$12,112,577, with \$11,198,959 received through the end of current fiscal year. The other large piece of net assets is the District's investment in capital assets, less any related debt to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The increase in total assets over fiscal year 2010 is the addition of construction in progress related to the current capital improvements of District buildings, which also account for the decrease in current and other assets (cash and investments) and increase in capital assets. The balance of unrestricted net assets of \$2,230,916 may be used to meet the District's ongoing obligations to citizens and creditors.

B. Governmental Activities During Fiscal Year 2011

The following table presents a condensed summary of the District's activities during fiscal year 2011 and 2010 and the resulting change in net assets:

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

	Change in Net Assets	
	Governmental Activities FY2011	Governmental Activities FY2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 472,418	\$ 328,117
Operating grants and contributions	1,017,065	988,011
Total program revenues	<u>1,489,483</u>	<u>1,316,128</u>
General Revenues:		
Property and income taxes	3,811,935	3,086,646
Grants and entitlements	4,461,248	4,336,633
Classroom facilities assistance program		12,112,577
Payment in lieu of taxes	3,635	
Investment earnings	39,027	25,440
Miscellaneous	336,109	183,035
Total general revenues	<u>8,651,954</u>	<u>19,744,331</u>
Total revenues	<u>10,141,437</u>	<u>21,060,459</u>
<u>Expenses</u>		
Instruction	5,037,435	5,204,114
Support Services:		
Pupil	214,460	237,845
Instructional staff	387,062	457,475
Board of Education	128,919	176,878
Administrative	616,215	630,178
Fiscal	321,115	312,047
Operation and maintenance of plant	711,928	667,029
Pupil transportation	276,753	341,836
Extracurricular activities	267,496	274,670
Interest and fiscal charges	388,933	314,070
Food Service	287,946	270,855
Total expenses	<u>8,638,262</u>	<u>8,886,997</u>
Change in net assets	1,503,175	12,173,462
Net asset beginning of year	<u>14,044,193</u>	<u>1,870,731</u>
Net asset end of year	<u>\$ 15,547,368</u>	<u>\$ 14,044,193</u>

Of the total governmental activities revenues of \$10,141,437, 15% \$1,489,483 is from program revenue. This means the District relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$3,811,935 (44%) comes from property and income taxes and \$4,461,248 (52%) is from state funding. The District's operations are reliant upon its property tax levy and the state's foundation program.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The District's total revenue decrease by \$10.9 million during fiscal year 2011, due to being awarded \$12 million in state funds for capital improvements during fiscal year 2010; offset by increases in tax revenue due to receiving a full year's worth of collections from the bond levy passed on May 5, 2010. Expenditures remained relatively consistent, experiencing a decrease of only 2.8% over fiscal year 2010.

Governmental Activities

The following table presents the total cost of each of the District's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 17% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$5,037,435 but program revenue contributed to fund 22% of those costs. Thus, general revenues of \$8,651,954 were used to support of remainder of the instruction costs.

Governmental Activities				
	Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$ 5,037,435	\$ 1,102,153	22%	\$ 3,935,282
Support services	2,656,452	37,021	1%	2,619,431
Non-Instructional services	555,442	350,309	63%	205,133
Interest and fiscal charges	388,933		0%	388,933
Total	\$ 8,638,262	\$ 1,489,483	17%	\$ 7,148,779

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

Governmental Funds

The District has three major governmental funds: the General Fund, Building Fund and the Classroom Facilities Project Fund. Assets of these three funds comprise \$22,317,493 (92%) of the total \$24,137,445 governmental funds assets.

General Fund

Fund balance at June 30, 2011 was \$2,134,584, with an unassigned fund balance of \$1,984,060. The fund balance increased by \$788,659. The unassigned fund balance represents approximately 29% of current-year general fund expenditures plus other financing uses. The general fund balance increased during the current year due primarily to increases in property taxes from replacement of a continuing levy in May 2010 and the start of collections from a tax increment financing agreement.

Building Fund

This fund was used to account for the activity related to improvements of school buildings and related debt. Activity during the current year included continued project costs on the construction project.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Classroom Facilities Project Fund

This fund was used to account for State monies from the Ohio School Facilities Commission for the construction of a new middle/high school. During fiscal year 2011, the District continued to receive project funds from the State as the construction process progressed.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the District's original and final budgets and actual results is included in the required supplementary information.

Final budgeted receipts were higher than original budgeted receipts by \$179,209, while final budgeted receipts were \$3,636 less than actual receipts plus other financing sources.

Final disbursements plus other financing uses were budgeted at \$7,489,469 while actual disbursements plus other financing uses were \$7,169,512. A decrease in actual disbursements plus other financing uses of \$319,957 helped result in an increase in fund balance of \$439,715.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 8 to the financial statements for more detail.

**Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	FY2011	FY2010
Land	\$ 792,032	\$ 792,032
Buildings and improvements	1,734,464	1,808,892
Equipment and furniture	68,975	79,113
Vehicles	182,502	167,568
Construction in progress	5,895,947	1,409,087
Total	\$ 8,673,920	\$ 4,256,692

Debt

During the year, the District made its regularly scheduled payments on its Series 2009 Classroom Facilities Improvement Bonds. As of June 30, 2011, the District's obligations for these bonds was \$11,484,776, which are payable over the next twenty-seven years. See Note 12 to the financial statements for more detail.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

ECONOMIC FACTORS

There are many changes happening in the area of school finance and the poor economic climate itself: the cost of the No Child Left Behind Act, the depleting inventory tax, the unconstitutional state foundation formula, open-enrollment polices, community and charter schools options and the possible developments in growth to the town of North Baltimore to mention a few. In fiscal year 2007 the District's voters passed a 5-year 1% earned income tax levy. Collections began in January 2008 and the District received approximately \$626,000 (cash basis) in fiscal year 2011. This levy will need to be renewed in calendar year 2012.

The District passed a 2 mill renewal Permanent Improvement Levy for a continuing period on the November 2007 ballot. The District passed an 8 mill five year renewal Operating Levy on the March 4, 2008 ballot. An 8.9 mill Continuing Replacement Levy was passed in May 2010 that helped keep the District in a positive cash flow. If results occur as projected or get worse, the District will need to look at passing new monies in fiscal year 2015 or making additional cuts. Finally, the District passed a \$157,000 Renewal Levy in May 2011.

On May 5, 2009, the voters passed a 7.57 mill bond issue for the purpose of building a new middle /high school and renovating Powell Elementary. This represents the District's share of the project with the State contributing approximately \$12 million. A .25% income tax was also passed to pay for the District's share of the OSFC project.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eve Baldwin, Treasurer at the North Baltimore Local School District, 201 S. Main Street, North Baltimore, Ohio 45872-1364.

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 18,455,391
Receivables:	
Taxes	4,378,106
Intergovernmental	1,236,363
Supplies inventory	9,009
Restricted cash	56,786
Deferred charges	432,987
Nondepreciable capital assets	6,687,979
Depreciable capital assets, net	1,985,941
Total assets	33,242,562
Liabilities:	
Accounts payable	782,207
Accrued wages and benefits	628,384
Intergovernmental payable	132,397
Unearned revenue	3,504,466
Accrued interest payable	85,028
Noncurrent liabilities:	
Due within one year	451,620
Due within more than one year	12,111,092
Total Liabilities	17,695,194
Net Assets:	
Invested in capital assets, net of related debt	3,778,989
Restricted for:	
Capital projects	8,776,229
Other purpose	301,751
Debt service	459,483
Unrestricted	2,230,916
Total net assets	\$ 15,547,368

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 2,646,588	\$ 277,876		\$ (2,368,712)
Special education	1,830,044		\$ 823,838	(1,006,206)
Other	560,803		439	(560,364)
Support services:				
Pupil	214,460			(214,460)
Instructional staff	387,062		32,021	(355,041)
Board of Education	128,919			(128,919)
Administrative	616,215		5,000	(611,215)
Fiscal	321,115			(321,115)
Operations and maintenance of plant	711,928			(711,928)
Pupil transportation	276,753			(276,753)
Non-instructional services:				
Extracurricular activities	267,496	60,393		(207,103)
Food Service	287,946	134,149	155,767	1,970
Interest and fiscal charges	388,933			(388,933)
Total Governmental Activities	<u><u>\$ 8,638,262</u></u>	<u><u>\$ 472,418</u></u>	<u><u>\$ 1,017,065</u></u>	<u><u>(7,148,779)</u></u>
 General Revenues:				
				2,351,997
Property taxes, levied for general purposes				593,864
Property taxes, levied for debt services				61,340
Property taxes, levied for capital projects				804,734
Income taxes				4,461,248
Grants and entitlements not restricted to specific programs				3,635
Payment in lieu of taxes				39,027
Investment earnings				336,109
Miscellaneous				<u>8,651,954</u>
Total general revenues				<u>8,651,954</u>
 Change in net assets				 1,503,175
 Net assets beginning of year				 <u>14,044,193</u>
 Net assets end of year				 <u><u>\$ 15,547,368</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 2,142,169	\$ 3,618,304	\$ 11,885,666	\$ 809,252	\$ 18,455,391
Restricted cash	56,786				56,786
Receivables:					
Taxes	3,493,383			884,723	4,378,106
Intergovernmental	205,777		913,618	116,968	1,236,363
Materials and supplies inventory				9,009	9,009
Interfund receivable	1,790				1,790
Total assets	<u>\$ 5,899,905</u>	<u>\$ 3,618,304</u>	<u>\$ 12,799,284</u>	<u>\$ 1,819,952</u>	<u>\$ 24,137,445</u>
Liabilities:					
Accounts payable	\$ 11,931	\$ 107,138	\$ 663,138		\$ 782,207
Accrued wages and benefits	579,897			\$ 48,487	628,384
Intergovernmental payable	122,844			9,553	132,397
Compensated absences payable	50,184			1,790	51,974
Deferred revenue	3,000,465		913,618	814,158	4,728,241
Total liabilities	<u>3,765,321</u>	<u>107,138</u>	<u>1,576,756</u>	<u>873,988</u>	<u>6,323,203</u>
Fund Balances:					
Nonspendable				9,009	9,009
Restricted	56,786	3,511,166	11,222,528	962,936	15,753,416
Assigned	93,738				93,738
Unassigned (Deficit)	1,984,060			(25,981)	1,958,079
Total fund balances	<u>2,134,584</u>	<u>3,511,166</u>	<u>11,222,528</u>	<u>945,964</u>	<u>17,814,242</u>
Total liabilities and fund balances	<u>\$ 5,899,905</u>	<u>\$ 3,618,304</u>	<u>\$ 12,799,284</u>	<u>\$ 1,819,952</u>	<u>\$ 24,137,445</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total Governmental Fund Balances		\$ 17,814,242
Amounts reported for governmental activities in the statement of net assets are different because:		
Deferred charges in governmental activities are not financial resources and therefore are not reported in the funds.		432,987
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,673,920
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		1,223,775
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	11,544,364	
Premium on bond issue	432,987	
Accrued interest payable	85,028	
Compensated absences	535,177	
Total	(12,597,556)	
Net Assets of Governmental Activities		\$ 15,547,368

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 2,939,401			\$ 848,342	\$ 3,787,743
Tuition and fees	277,876				277,876
Interest	2,033	\$ 11,494	\$ 25,393	107	39,027
Charges for Services				134,149	134,149
Intergovernmental	4,337,077		6,613,009	1,034,085	11,984,171
Payment in lieu of taxes	3,635				3,635
Contributions and donations		149,997			149,997
Other local revenues	160,317			86,628	246,945
Total revenues	<u>7,720,339</u>	<u>161,491</u>	<u>6,638,402</u>	<u>2,103,311</u>	<u>16,623,543</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,548,999			28,520	2,577,519
Special education	1,107,419			715,877	1,823,296
Other instruction	552,393			7,959	560,352
Support services:					
Pupil	212,509				212,509
Instructional staff	351,984			30,968	382,952
Board of Education	128,919				128,919
Administration	604,975			5,000	609,975
Fiscal	306,169			11,376	317,545
Operation and maintenance of plant	623,929			4,614	628,543
Pupil transportation	285,077				285,077
Non-instructional services:					
Extracurricular activities	207,097			45,598	252,695
Community service				1,400	1,400
Food service				281,083	281,083
Capital outlay		123,667	4,363,193	78,878	4,565,738
Debt service:					
Principal				165,000	165,000
Interest and fiscal charges				413,454	413,454
Total expenditures	<u>6,929,470</u>	<u>123,667</u>	<u>4,363,193</u>	<u>1,789,727</u>	<u>13,206,057</u>
Excess of revenues over expenditures	<u>790,869</u>	<u>37,824</u>	<u>2,275,209</u>	<u>313,584</u>	<u>3,417,486</u>
Other financing sources (uses):					
Transfers in				2,210	2,210
Transfers out	(2,210)				(2,210)
Total other financing sources (uses):	<u>(2,210)</u>			<u>2,210</u>	
Net change in fund balances	788,659	37,824	2,275,209	315,794	3,417,486
Fund balance at beginning of year, restated	1,345,925	3,473,342	8,947,319	630,170	14,396,756
Fund balance at end of year	<u>\$ 2,134,584</u>	<u>\$ 3,511,166</u>	<u>\$ 11,222,528</u>	<u>\$ 945,964</u>	<u>\$ 17,814,242</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 3,417,486

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	4,542,521	
Depreciation Expense	<u>(125,293)</u>	4,417,228

Revenues previously reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until they become available. (6,482,106)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (38,954)

Principal paid on long-term debt is recorded on the fund financial statements and recorded as a reduction of the long-term liability in the government-wide statements. 165,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 72,430

Accretion on capital appreciation bonds is recorded each year as interest in the statement of activities. (47,909)

Change in Net Assets of Governmental Activities \$ 1,503,175

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,653,432	\$ 2,792,775	\$ 2,716,001	\$ (76,774)
Tuition and fees	206,108	263,106	255,874	(7,232)
Interest	1,810	2,090	2,033	(57)
Intergovernmental	4,494,451	4,461,780	4,337,077	(124,703)
Payment in lieu of taxes	3,635	3,635	3,635	
Other local revenues	66,946	82,205	83,478	1,273
Total revenues	<u>7,426,382</u>	<u>7,605,591</u>	<u>7,398,098</u>	<u>(207,493)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,639,948	2,656,406	2,528,082	128,324
Special Education	1,067,506	1,162,333	1,114,843	47,490
Other instruction	731,257	641,338	615,134	26,204
Support services:				
Pupil	242,996	207,055	198,348	8,707
Instructional staff	428,873	369,340	354,250	15,090
Board of Education	182,492	157,294	150,621	6,673
Administration	615,057	661,802	634,762	27,040
Fiscal	302,605	320,662	307,313	13,349
Operation and maintenance of plant	674,159	666,041	638,828	27,213
Pupil transportation	309,106	321,003	307,888	13,115
Non-instructional services:				
Extracurricular activities	173,470	165,246	158,494	6,752
Total expenditures	<u>7,367,469</u>	<u>7,328,520</u>	<u>7,008,563</u>	<u>319,957</u>
 Excess of revenues over expenditures	 <u>58,913</u>	 <u>277,071</u>	 <u>389,535</u>	 <u>112,464</u>
Other financing sources (uses):				
Transfers in			152,015	152,015
Transfers out	(40,011)	(154,225)	(154,225)	
Other sources			59,114	59,114
Other uses	(9,990)	(6,724)	(6,724)	
Total other financing sources (uses)	<u>(50,001)</u>	<u>(160,949)</u>	<u>50,180</u>	<u>211,129</u>
 Net change in fund balance	 8,912	 116,122	 439,715	 323,593
Fund balance at beginning of year	<u>1,639,964</u>	<u>1,639,964</u>	<u>1,639,964</u>	
Prior year encumbrances appropriated	<u>15,396</u>	<u>15,396</u>	<u>15,396</u>	
Fund balance at end of year	<u><u>\$1,664,272</u></u>	<u><u>\$1,771,482</u></u>	<u><u>\$2,095,075</u></u>	<u><u>\$323,593</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	<u>\$ 24,182</u>
Liabilities	
Due to student groups	<u>\$ 24,182</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

North Baltimore Local School District (the "District") is organized under Article VI Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services to approximately 790 students and community members as authorized by state statute and/or federal guidelines.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Ohio Schools Councils, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Wood County Schools Health Insurance Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund – This fund is used to account for all transactions related to the acquisition and renovation of classroom facilities.

Classroom Facilities Project Fund – This fund is used to account for financial resources to be used for the construction and improvements of buildings through the Ohio School Facilities Commission project.

FIDUCIARY FUNDS

Fiduciary Funds report on net assets and changes in net assets. The District's fiduciary funds consist of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund is used to account for student activities.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means "the amount of the transaction can be determined and available" means collectible within the current "fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees, and grants.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Unearned Revenue and Deferred Revenue - Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2011, which are intended to finance fiscal year 2012 operations, have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Wood County Budget Commission for tax rate determination. The Wood County Budget Commission waived this requirement for fiscal year 2011.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of budgetary control.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2011 however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund, first two digit function and first digit object, level.

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2011, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statues all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board, investment earnings are assigned to the funds from which the investment was made. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$2,033, which includes \$1,782 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and school supplies held for resale and are recorded as expenditures in the governmental fund types when used.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$3,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	7-30 years
Building improvements	7-40 years
Furniture and equipment	5-30 years
Vehicles	7-15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. The liability is an estimate based on the District's past experience of making termination payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook and instructional materials reserve.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as 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.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed fund balances at year end.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

Fund Reclassifications

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clarified fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this statement resulted in the reclassification of a certain fund and restatement of the District's beginning fund balance:

	General	Other Governmental Funds
Fund Balance at June 30, 2010	\$ 1,332,731	\$ 643,364
Change in fund classification	13,194	(13,194)
Restated Fund Balance at June 30, 2010	\$ 1,345,925	\$ 630,170

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District 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 the Board 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 are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institute.

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 District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*, and amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's custodial credit risk policy requires that deposits be collateralized as required by Ohio Revised Code Chapter 135. At year-end, the District's bank balance of \$17,120,321 was collateralized with pooled securities held by the pledging financial institution's trust department in the District's name. Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities.

Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105 percent of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

The District's investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio were rated AAAM by Standard & Poor's. The fair value of the District's investment in STAR Ohio is \$1,572,698 at June 30, 2011.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Interest Rate Risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk is the possibility that an issuer or other counter party to an investment will not fulfill its obligation. The District's investments in STAR Ohio were assigned an AAAM money market rating by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,572,698</u>	<u>100.00</u>

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	16,963,586
Investments		1,572,698
Cash on hand		75
Total	\$	18,536,359
<u>Cash and investments per statement of net assets</u>		
Governmental activities	\$	18,512,177
Agency funds		24,182
Total	\$	18,536,359

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 5 - PROPERTY TAXES – (Continued)

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of the January 1, 2010, 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received in the District's fiscal year ended June 30, 2011 (other than public utility property tax) generally represents the collection of calendar year 2010 taxes levied against local and inter- exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value listed as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20, 2010. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, 2010; if paid semi-annually, the first payment is due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Wood and Hancock Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue. The amount available as an advance at June 30, 2011, was \$502,453 in the general fund and \$149,434 in the other governmental funds.

On the accrual basis of accounting, collectible property taxes have been recorded as a receivable and revenue, which on a modified accrual basis of accounting the revenue has been deferred.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 5 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 65,422,240	93.32%	\$ 66,080,050	93.00%
Public Utility	4,350,940	6.21%	4,805,490	6.76%
Tangible Personal Property	334,510	0.48%	169,060	0.24%
Total Assessed Value	\$ 70,107,690	100.00%	\$ 71,054,600	100.00%

Tax rate per \$1,000 of assessed valuation	\$55.77	\$57.10
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NOTE 6 - INCOME TAXES

As approved by voters on May 8, 2007, the District levies a 1 percent school income tax on earned income of residents of the District, effective January 1, 2008 for a five-year period. An additional .25 percent income tax was approved by the voters on May 5, 2010 for the purpose of paying the District's share of the OSFC project. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2011, the District recorded income tax revenue of \$804,734 in the entity-wide financials and a receivable as of June 30, 2011 of \$312,455.

NOTE 7 - RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance. There was no decline in the level of coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

The District participates in the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of reduced premiums for the District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are calculated and each participant's individual performance is compared to the overall savings percentage of the GRP and the participant either receives money from or is required to contribute to the Equity Pooling Fund". "This arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7 - RISK MANAGEMENT – (Continued)

The District also participates in the Wood County Benefit Plan Association Employee Insurance Benefits Program, a group insurance purchasing pool (Note 16), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance 7/1/10	Additions	Balance 6/30/11
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 792,032		\$ 792,032
Construction in progress	1,409,087	\$ 4,486,860	5,895,947
Total capital assets, not being depreciated	<u>2,201,119</u>	<u>4,486,860</u>	<u>6,687,979</u>
<i>Capital assets, being depreciated</i>			
Land improvements	191,758		191,758
Buildings and improvements	3,678,701		3,678,701
Vehicles	520,153	45,701	565,854
Furniture and equipment	272,148	9,960	282,108
Total capital assets, being depreciated	<u>6,863,879</u>	<u>4,542,521</u>	<u>11,406,400</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	191,758		191,758
Buildings and improvements	1,869,809	74,428	1,944,237
Vehicles	352,585	30,767	383,352
Furniture and equipment	193,035	20,098	213,133
Total accumulated depreciation	<u>2,607,187</u>	<u>125,293</u>	<u>2,732,480</u>
Governmental activities capital assets, net	<u>\$ 4,256,692</u>	<u>\$ 4,417,228</u>	<u>\$ 8,673,920</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 29,595
Special	6,748
Other instruction	451
Support Services:	
Pupil	1,951
Instructional Staff	7,570
Administration	6,411
Fiscal	3,984
Operation and maintenance of plant	10,942
Pupil transportation	37,377
Extracurricular activities	13,401
Food service	6,863
Total Depreciation expense	<u>\$ 125,293</u>

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were approximately as \$131,000, \$137,000, and \$124,000, respectively; 63 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The unpaid contribution for fiscal year 2011 was recorded as a liability.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 9 - PENSION PLANS – (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 9 - PENSION PLANS – (Continued)

DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For Combined Plan Benefits, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 9 - PENSION PLANS – (Continued)

Contribution requirements and the contributions actually made for fiscal year ended June 30, 2011 were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for the years ended June 30, 2011, 2010, and 2009, were approximately \$438,000, \$434,000, and \$427,000, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The unpaid contribution for fiscal year 2011 is recorded as a liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or SERS/STRS. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Plan Description - The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute.

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a selfdirected Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fee, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for years ended June 30, 2011, 2010, and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The District's contributions to STRS Ohio allocated to post-employment health care for the years June 30, 2011, 2010, and 2009 were approximately \$31,000 for each year; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

SERS administers two postemployment benefit plans:

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

Medicare B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was 0.76 percent. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$7,000, \$7,000 and \$6,000, respectively; 63 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation was 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for the years ended June 30, 2011, 2010, and 2009 were approximately \$13,000, \$5,000, and \$37,000, respectively; 63 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 11 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators annually and upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month and sick leave may be accumulated up to 265 days. Upon retirement, payment is made for 26 percent of accrued, but unused sick leave.

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 7/1/10	Additions	Reductions	Principal Outstanding 6/30/11	Amounts Due in One Year
<i>Governmental Activities:</i>					
2009 Classroom Facilities Improvement Bonds:					
General obligation bonds	\$ 1,970,000		\$ (10,000)	\$ 1,960,000	\$ 75,000
Capital appreciation bonds	24,992			24,992	2,976
Accretion on CAB's	3,303	\$ 8,765		12,068	
2009A School Facilities Improvement Bonds:					
General obligation bonds	7,910,000		(135,000)	7,775,000	290,000
Capital appreciation bonds	75,212			75,212	
Accretion on CAB's	8,376	21,626		30,002	
2009B School Facilities Improvement Bonds:					
General obligation bonds	1,610,000		(20,000)	1,590,000	30,000
Capital appreciation bonds	59,572			59,572	
Accretion on CAB's		17,518		17,518	
Premium on bond issues	454,959		(21,972)	432,987	
Compensated absences	639,494	93,118	(147,251)	585,361	53,644
Total	\$ 12,755,908	\$ 141,027	\$ (334,223)	\$ 12,562,712	\$ 451,620

On October 28, 2009, the District issued \$1,994,992 in Series 2009 Classroom Facilities Improvement Bonds to finance a portion of the District's share of constructing a new middle/high school building and renovating an existing elementary school building. The projects are being undertaken in cooperation with the Ohio School Facilities Commission (OSFC) under the State of Ohio Classroom Facilities Assistance Program, where the OSFC has agreed to pay approximately 59 percent of the project costs.

The bonds were issued with interest rates between 1.67 percent to 4.81 percent and a final maturity at September 30, 2025.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 12 - LONG-TERM OBLIGATIONS – (Continued)

Also on October 28, 2009, the District issued \$7,985,212 in Series 2009A School Facilities Improvement Bonds to pay for the costs of certain locally funded initiatives, including site acquisition for the new middle/high school building and building improvements for additional classroom space and facilities. The bonds were issued with interest rates between 1.29 percent to 5.25 percent and a final maturity at September 30, 2037.

On December 9, 2009, the District issued \$1,669,572 in Series 2009B School Facilities Improvement Bonds used to retire bond anticipation notes which had been used for renovating Powell Elementary School. The bonds were issued with interest rates between 2.00 percent to 4.10 percent and a final maturity at December 1, 2025.

All general obligation debt is supported by the full faith and credit of the District. The bonds will be retired from the Debt Service Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general obligation bonds, inclusive of interest accretion on capital appreciation bonds in the interest column, at June 30, 2011 are:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 397,976	\$ 370,681	\$ 768,657
2013	412,419	385,020	797,439
2014	429,701	386,437	816,138
2015	433,934	380,439	814,373
2016	452,001	379,907	831,908
2017-2021	2,252,945	1,984,055	4,237,000
2022-2026	2,835,800	1,337,267	4,173,067
2027-2031	1,475,000	918,719	2,393,719
2032-2036	1,900,000	478,900	2,378,900
2037-2038	895,000	45,125	940,125
Total	<u>\$ 11,484,776</u>	<u>\$ 6,666,550</u>	<u>\$ 18,151,326</u>

NOTE 13 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 13 - FUND BALANCES – (Continued)

Fund Balances	General	Building	Classroom Facilities Project	Governmental Funds	Governmental Funds
<i>Nonspendable</i>					
Inventory				\$ 9,009	\$ 9,009
<i>Restricted for</i>					
Food Service Operations				4,800	4,800
Textbook Set Aside	\$ 56,786				56,786
Classroom Maintenance				112,144	112,144
Athletics				33,485	33,485
Race-to-the-Top				1,887	1,887
Other Purposes				19,823	19,823
Debt Service Payments				585,771	585,771
Capital Improvements		\$3,511,166	\$ 11,222,528	205,026	14,938,720
<i>Total Restricted</i>	56,786	3,511,166	11,222,528	962,936	15,753,416
<i>Assigned to</i>					
Public School Support	13,058				13,058
Encumbrances	80,680				80,680
<i>Total Assigned</i>	93,738				93,738
<i>Unassigned (Deficit)</i>	1,984,060			(25,981)	1,958,079
<i>Total Fund Balance</i>	\$2,134,584	\$3,511,166	\$ 11,222,528	\$ 945,964	\$ 17,814,242

Fund balances at June 30, 2011 included the following individual fund deficits:

Education Jobs Grant Fund	\$ 2,228
IDEA Part B Grant Fund	416
Title I Grant Fund	17,864
Improving Teacher Quality Grant Fund	5,473
	\$ 25,981

The deficit fund balance was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

As of June 30, 2011, the District had entered into various construction contracts for the Classroom Facilities projects under which it had a remaining unperformed and unpaid total commitment of approximately \$12,954,000.

NOTE 14 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011 consisted of a transfer of \$2,210 from the General Fund to Other Governmental Funds.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 14 - INTERFUND TRANSACTIONS – (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

On the fund financial statements, the General Fund has receivables of \$1,790 due from Other Governmental Funds. These interfund loans were made to provide operating capital.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The Northwest Ohio Area Computer Services Cooperative (NOACSC)

NOACSC is a jointly governed organization among forty-nine educational entities, primarily school districts located in the Ohio counties of Paulding, Van Wert, Mercer, Putnam, Allen, Hancock, Auglaize, Hardin and Wood. The general membership of the NOACSC consists of a representative from each member school and a representative from the fiscal agent. NOACSC is governed by a Governing Assembly of twelve elected members, two from each of the original six counties of Paulding, Van Wert, Mercer, Putnam, Allen and Hancock. NOACSC was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The duties and obligations of the organization and members participating is set forth in a written agreement covering the program. Each of the participating educational entities support NOACSC based upon a per pupil charge dependent upon the software package(s) utilized. The degree of control exercised by any participant is limited to representation on the Governing Assembly but there is no ongoing financial interest or responsibility by the participating governments. Financial information for NOACSC can be obtained from their administrative offices at 645 South Main Street, Lima, Ohio 45804.

Ohio Schools Council (OSC)

OSC is a consortium of 157 school districts, educational service centers, joint vocational districts and Development Disabilities boards in 28 northern Ohio counties. OSC exists for the purpose of obtaining top quality products and services at the most competitive price through cooperative purchasing. OSC offers group purchasing programs in the areas of electricity, natural gas, insurance, commodities, and a host of other goods and services. Formed in 1986 under Ohio Revised Code Section 167 as a regional council of governments by 53 school districts, OSC is managed by a governing board of non superintendents from member districts.

NOTE 16 - INSURANCE PURCHASING POOLS

Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Program

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 16 - INSURANCE PURCHASING POOLS – (Continued)

The District participates in the Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Wood County Schools Health Insurance Consortium

The Wood County Schools Health Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of six local school districts, three city or exempted village school districts, one vocational school district, and an educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee, which advises the Trustee, Huntington Bank, concerning aspects of the Consortium.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Hylant Group, P.O. Box 1687, Toledo, Ohio 43603.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis). Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (b) Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).
- (c) Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

Net Change in Fund Balance

	<u>General Fund</u>
Net change in fund balance - GAAP Basis	\$ 788,659
Increase / (decrease):	
Net adjustment for inclusion of Public School Support Fund	136
Net adjustment for revenue accruals	(322,377)
Net adjustment for expenditure accruals	13,455
Net adjustment for other sources/uses	52,390
Adjustment for encumbrances	(92,548)
Net change in fund balance	\$ 439,715

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

NOTE 18 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 19 - REQUIRED SET-ASIDES

The District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 19 - REQUIRED SET-ASIDES – (Continued)

The following cash basis information describes the change in the year-end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks/ Technology	Capital Improvements
Current year set-aside requirement	\$ 98,776	\$ 98,776
Current year qualifying expenditures	(41,990)	
Current year offsets		\$ (98,776)
Total	\$ 56,786	
Set-aside reserve balance as of June 30, 2011	\$ 56,786	

The District had qualifying disbursements during the year that reduced the set aside amount for capital improvements to below zero. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirement for future years.

NOTE 20 - SUBSEQUENT EVENT

In September 2011, the District and the Ohio School Facilities Commission began working on the first amendment to the Classroom Facilities project agreement that would increase the total project budget by \$662,000, increasing the State's share by \$368,000 and the District's share by \$256,000, and assumed interest earnings of \$38,000.

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
National School Lunch Program	10.555		
Cash Assistance		\$ 110,073	\$ 110,073
Non-Cash Assistance Commodities		14,535	14,535
Total National School Lunch Program		<u>124,608</u>	<u>124,608</u>
 National School Breakfast Program	 10.553	 <u>27,472</u>	 <u>27,472</u>
Total U.S. Department of Agriculture - Nutrition Cluster		<u>152,080</u>	<u>152,080</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	188,717	188,717
ARRA - Special Education Grants to States	84.391	<u>27,768</u>	<u>21,135</u>
Total Special Education Cluster		216,485	209,852
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	130,096	130,686
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>14,010</u>	<u>19,543</u>
Total Title I Cluster		144,106	150,229
 Education Technology State Grants	 84.318	 439	 439
 Improving Teacher Quality State Grants	 84.367	 36,112	 36,469
 ARRA - State Fiscal Stabilization Fund	 84.394	 294,096	 317,691
ARRA - State Fiscal Stabilization Fund - Fees		<u>7,520</u>	<u>7,520</u>
Total ARRA - State Fiscal Stabilization Fund		301,616	325,211
 ARRA - Race to the Top Early Learning Challenge	 84.395A	 32,729	 30,842
 Education Jobs Fund	 84.410	 <u>29,188</u>	 <u>26,671</u>
Total U.S. Department of Education		<u>760,675</u>	<u>779,713</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Job and Family Service:</i>			
 Medicaid	 93.778	 <u>19,361</u>	 <u></u>
Total Federal Receipts and Expenditures		<u>\$ 932,116</u>	<u>\$ 931,793</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the North Baltimore Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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*

North Baltimore Local School District
Wood County
201 South Main Street
North Baltimore, Ohio 45872-1364

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Baltimore Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2012, in which we noted the District implemented Government 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District'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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

March 12, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

North Baltimore Local School District
Wood County
201 South Main Street
North Baltimore, Ohio 45872-1364

To the Board of Education:

Compliance

We have audited the compliance of North Baltimore Local School District, Wood County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the North Baltimore Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 12, 2012

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA # 84.027 and 84.391 State Fiscal Stabilization Fund – CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2011-001

Noncompliance Citation/Material Weakness

Ohio Revised Code, § 5705.10(D), states, in part, all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

**FINDING NUMBER 2011-001
(Continued)**

The following transactions were found to be posted to the incorrect fund:

- Homestead and Rollback totaling \$74,509 was improperly posted to the General fund and should have been posted to the Debt Service and Capital Project funds \$63,913 and \$10,596 respectively.
- Payment in Lieu of Taxes totaling \$3,635 was improperly posted to Other Grant Funds and should have been posted to the General fund.

The accompanying financial statements and the District's accounting records were adjusted to reflect these amounts in the proper funds.

In addition to the incorrect fund postings mentioned above we encountered the following transaction that required reclassification and the accompanying financial statements reflect this:

- In the Building Fund, building donation of \$149,947 was posted as Other Local Revenues and should have been Contributions and Donations.

Accurate financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Treasurer monitor receipt postings to ensure money is posted to the correct fund.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

North Baltimore Local School District
Wood County
201 South Main Street
North Baltimore, Ohio 45872-1364

To the Board of Education:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether North Baltimore Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the District amended its anti-harassment policy at its meeting on December 21, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education 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 "Dave Yost".

Dave Yost
Auditor of State

March 12, 2012

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Dave Yost • Auditor of State

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

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
MARCH 27, 2012**