

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2007

With Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Education  
North Baltimore Local School District  
201 S. Main Street  
North Baltimore, Ohio 45872

We have reviewed the *Independent Auditors' Report* of the North Baltimore Local School District, Wood County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The North Baltimore Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 15, 2009

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
North Baltimore Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Local School District (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 the North Baltimore Local School District as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 9 and 35 through 36, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
December 22, 2008



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the North Baltimore Local School District for the year ended June 30, 2007. 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 School District's financial statements.

### Financial Highlights

Major financial highlights for fiscal year 2007 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$1,975,987. Of this amount, \$1,569,019 is unrestricted.
- ✓ In total, net assets increased by \$618,460.
- ✓ The School District had \$7,660,504 in expenses related to governmental activities; only \$1,153,061 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$7,125,903, made up primarily of property taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance increased by \$374,662 from \$1,067,235 at June 30, 2006 to \$1,441,897 at June 30, 2007.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School 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 School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School 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 School District is improving or deteriorating.

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

### Management's Discussion and Analysis

Year Ended June 30, 2007

Unaudited

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The statement of activities presents information showing how the government'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 School 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 School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

**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 School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School 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 government'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 School 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 School District as a whole. Some funds are required to be established by State law. Also, the School 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 government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

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**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**  
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**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.

**Other information.** In addition to basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget of the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net assets at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2007 and 2006:

		<u><b>FY07</b></u>	<u><b>FY06</b></u>
Current and other assets	\$	6,070,868	5,830,112
Capital assets		<u>2,242,003</u>	<u>2,275,597</u>
Total assets		<u>8,312,871</u>	<u>8,105,709</u>
Long-term liabilities		533,317	567,104
Other liabilities		<u>5,803,567</u>	<u>6,181,078</u>
Total liabilities		<u>6,336,884</u>	<u>6,748,182</u>
Net assets:			
Invested in capital assets, net of debt		62,003	(44,403)
Restricted:			
For capital purposes		155,634	113,485
Other purposes		26,636	128,933
Debt service		162,695	124,421
Unrestricted		<u>1,569,019</u>	<u>1,035,091</u>
Total net assets	\$	<u><u>1,975,987</u></u>	<u><u>1,357,527</u></u>

Overall, assets of the School District increased approximately \$207,000. The primary change in assets was an increase in cash of approximately \$213,000 due to positive operating results. Total liabilities decreased about \$411,000. The primary changes were a decrease of \$140,000 of notes payable and approximately \$211,000 decrease in deferred revenue which is related to property tax revenue recognition. On the full accrual basis, only the portions of taxes receivable related to amounts available for advance from the County Auditor and delinquent taxes are recognized as revenue with the remainder reported as deferred. Thus, revenue recognition can fluctuate based on County Auditor collections.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**  
**Unaudited**

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**B. Governmental Activities during fiscal year 2007 and 2006**

The following table presents a condensed summary of the School District's activities during fiscal year 2007 and 2006 and the resulting change in net assets:

	<u>FY07</u>	<u>FY06</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 411,510	410,632
Operating grants and contributions	736,182	545,967
Capital grants and contributions	5,369	12,031
Total program revenues	<u>1,153,061</u>	<u>968,630</u>
General revenues:		
Property taxes	3,080,357	2,877,572
Grants and entitlements	3,874,223	3,629,497
Investment earnings	126,823	88,240
Miscellaneous	44,500	193,978
Total general revenues	<u>7,125,903</u>	<u>6,789,287</u>
<b>Total revenues</b>	<u>8,278,964</u>	<u>7,757,917</u>
<b>Expenses:</b>		
Instruction	4,457,141	3,839,238
Support services:		
Pupil	222,985	229,427
Instructional staff	490,200	1,085,640
Board of Education	101,802	98,688
Administration	555,364	564,199
Fiscal	299,501	261,390
Operation and maintenance of plant	565,066	669,681
Pupil transportation	339,230	304,953
Extracurricular activities	262,704	280,304
Interest and fiscal charges	94,699	85,485
Food services	271,812	256,528
<b>Total expenses</b>	<u>7,660,504</u>	<u>7,675,533</u>
<b>Change in net assets</b>	<u>\$ 618,460</u>	<u>82,384</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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Of the total governmental activities revenues of \$8,278,964, \$1,153,061 (14%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 43% (\$3,080,357) comes from property tax levies and 54% (\$3,874,223) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

Overall, the School District's revenues and expenses were relatively consistent with the prior fiscal year. Revenues increased by approximately \$521,000 which represents approximately a 7% increase. Property taxes increased by about \$205,000 in large part due to an increase in the amount available for advance from the County Auditor at year-end which can be impacted by the timing of County Auditor's billing and collection process. In addition, state foundation funding increased approximately \$245,000 during fiscal year 2007. Expenses were virtually the same between years and actually decreased by approximately \$15,000.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 15% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$4,457,141 but program revenue contributed to fund 16% of those costs. Thus, general revenues of \$3,761,458 were used to support of remainder of the instruction costs.

The School District's governmental activities net assets increased by \$618,460 due primarily to a stable financial situation enhanced by a number of factors such as the higher than expected tangible personal property tax collections, additional state funding due to increased enrollment and tangible tax reimbursement and increased interest earnings due to higher interest rates.

**Governmental Activities**

		<b><u>Total Cost of Services</u></b>	<b><u>Program Revenue</u></b>	<b><u>Revenues as a % of Total Costs</u></b>	<b><u>Net Cost of Services</u></b>
Instruction	\$	4,457,141	695,683	16%	3,761,458
Support services		2,574,148	144,449	6%	2,429,699
Non-instructional services		534,516	312,929	59%	221,587
Interest and fiscal charges		94,699	-	0%	94,699
<b>Total</b>	\$	<b><u>7,660,504</u></b>	<b><u>1,153,061</u></b>	<b><u>15%</u></b>	<b><u>6,507,443</u></b>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**  
**Unaudited**

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

**Governmental funds**

The School District has two major governmental funds: the General Fund and Building Fund. Assets of these two funds comprise \$4,681,482 (77%) of the total \$6,070,868 governmental funds assets.

**General Fund.** Fund balance at June 30, 2007 was \$1,441,897, with an unreserved fund balance of \$945,643. The fund balance increased by \$374,662. The unreserved fund balance represents approximately 14% of current-year general fund expenditures. The general fund balance increased during the current year due primarily to increased state funding as well as investment earnings coupled with decreases in instructional salaries.

**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 was limited to the repayment and issuance of notes payables.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. Significant differences between the original and final budgets are as follows:

On the revenue side, intergovernmental revenue was approximately \$247,000 greater than the original budget due to tangible property tax reimbursements from the state. The instructional staff and special education functions should be evaluated together due to changes in account coding. In evaluating these two functions as a total the School District's costs are only approximately \$34,000 higher than the original budget year which is about a 2.5% increase due to teacher step increases. Operation and maintenance of plant was approximately \$45,000 higher than originally budgeted due to repair costs for a boiler breakdown.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2007**  
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**CAPITAL ASSET ADMINISTRATION**

**Capital assets.** At June 30, 2007, the School District had \$2,242,003 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 6 to the financial statements for more detail.

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

		<u><b>FY07</b></u>	<u><b>FY06</b></u>
Land	\$	39,592	39,592
Land improvements		-	-
Buildings and improvements		2,032,176	2,055,634
Equipment and furniture		75,774	57,579
Vehicles		<u>94,461</u>	<u>122,792</u>
Total	\$	<u>2,242,003</u>	<u>2,275,597</u>

**ECONOMIC FACTORS**

In order to continue stable funding, the School District has multiple tax levies which will require continued voter approval. First, an Emergency Tax Levy will need to be renewed in calendar year 2011, a 2 mill Permanent Improvement Tax Levy needs renewed in calendar year 2007, and an 8 mill Five Year Operating Tax Levy will need to be renewed in calendar year 2008.

In fiscal year 2007 the School District's voters passed a 5-year 1% earned income tax levy. Collection does not start till after January 2008 and the School District will only receive a small collection in fiscal 2008. The School District will not see the full collection of this new income tax levy for 18 months.

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.

**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 School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the North Baltimore Local School District, 201 S. Main Street, North Baltimore, Ohio 45872.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 2,767,343
Receivables:	
Taxes	3,207,348
Accounts	6,513
Intergovernmental	57,173
Supplies inventory	10,204
Restricted cash	22,287
Nondepreciable capital assets	39,592
Depreciable capital assets, net	<u>2,202,411</u>
<b>Total assets</b>	<u>8,312,871</u>
<b>Liabilities:</b>	
Accounts payable	63,320
Accrued wages and benefits	642,558
Intergovernmental payable	143,842
Unearned revenue	2,722,481
Accrued interest payable	51,366
Notes payable	2,180,000
Noncurrent liabilities:	
Due within one year	75,238
Due within more than one year	<u>458,079</u>
<b>Total liabilities</b>	<u>6,336,884</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	62,003
Restricted for:	
Capital projects	155,634
Other purposes	26,636
Debt service	162,695
Unrestricted	<u>1,569,019</u>
<b>Total net assets</b>	<u>\$ 1,975,987</u>

See accompanying notes to the basic financial statements.



**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Statement of Activities  
Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 2,704,454	196,090	85,897	-	(2,422,467)
Special education	1,309,067	-	403,126	-	(905,941)
Other	443,620	-	10,570	-	(433,050)
Support services:					
Pupil	222,985	-	3,407	-	(219,578)
Instructional staff	490,200	-	32,606	-	(457,594)
Board of Education	101,802	-	-	-	(101,802)
Administration	555,364	-	7,300	-	(548,064)
Fiscal	299,501	-	-	-	(299,501)
Operation and maintenance of plant	565,066	-	95,767	-	(469,299)
Pupil transportation	339,230	-	-	5,369	(333,861)
Non-instructional services:					
Extracurricular activities	262,704	59,897	4,441	-	(198,366)
Food service	271,812	155,523	93,068	-	(23,221)
Interest on long-term debt	94,699	-	-	-	(94,699)
<b>Total Governmental Activities</b>	<u>7,660,504</u>	<u>411,510</u>	<u>736,182</u>	<u>5,369</u>	<u>(6,507,443)</u>
<b>General Revenues:</b>					
Property taxes, levied for general purposes					2,680,834
Property taxes, levied for debt services					277,035
Property taxes, levied for capital projects					122,488
Grants and entitlements not restricted to specific programs					3,874,223
Investment earnings					126,823
Miscellaneous					44,500
<b>Total general revenues</b>					<u>7,125,903</u>
Change in net assets					618,460
Net assets beginning of year					<u>1,357,527</u>
Net assets end of year				\$	<u>1,975,987</u>

See accompanying notes to the basic financial statements.

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2007

		General	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments	\$	1,876,332	-	891,011	2,767,343
Restricted cash		22,287	-	-	22,287
Receivables:					
Taxes		2,776,350	-	430,998	3,207,348
Accounts		6,513	-	-	6,513
Intergovernmental		-	-	57,173	57,173
Materials and supplies inventory		-	-	10,204	10,204
<b>Total assets</b>		<u>4,681,482</u>	<u>-</u>	<u>1,389,386</u>	<u>6,070,868</u>
<b>Liabilities:</b>					
Accounts payable		34,297	-	29,023	63,320
Accrued wages and benefits		591,376	-	51,182	642,558
Intergovernmental payable		131,991	-	11,851	143,842
Compensated absences payable		67,318	-	7,920	75,238
Deferred revenue		2,414,603	-	371,052	2,785,655
Notes payable		-	2,180,000	-	2,180,000
<b>Total liabilities</b>		<u>3,239,585</u>	<u>2,180,000</u>	<u>471,028</u>	<u>5,890,613</u>
<b>Fund Balances:</b>					
Reserved for:					
Encumbrances		112,220	-	37,599	149,819
Budget stabilization		22,287	-	-	22,287
Property taxes		361,747	-	59,946	421,693
Unreserved, reported in:					
General Fund		945,643	-	-	945,643
Special Revenue Funds		-	-	706,004	706,004
Capital Projects Funds		-	(2,180,000)	114,809	(2,065,191)
<b>Total fund balances</b>		<u>1,441,897</u>	<u>(2,180,000)</u>	<u>918,358</u>	<u>180,255</u>
<b>Total liabilities and fund balances</b>	\$	<u>4,681,482</u>	<u>-</u>	<u>1,389,386</u>	<u>6,070,868</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2007

<b>Total Governmental Fund Balances</b>		\$ 180,255
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,242,003
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		63,174
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable	51,366	
Compensated absences	<u>458,079</u>	
Total		<u>(509,445)</u>
 Net Assets of Governmental Activities		 \$ <u>1,975,987</u>

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances

#### Governmental Funds

Year Ended June 30, 2007

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,711,674	-	401,416	3,113,090
Tuition and fees	196,090	-	-	196,090
Interest	126,823	-	-	126,823
Charges for services	-	-	155,523	155,523
Intergovernmental	3,879,592	-	734,323	4,613,915
Other local revenues	21,943	-	116,051	137,994
<b>Total revenues</b>	<b>6,936,122</b>	<b>-</b>	<b>1,407,313</b>	<b>8,343,435</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,563,768	-	105,044	2,668,812
Special education	888,925	-	413,241	1,302,166
Other instruction	431,888	-	11,270	443,158
Support services:				
Pupil	217,583	-	3,407	220,990
Instructional staff	448,397	-	34,694	483,091
Board of Education	101,802	-	-	101,802
Administration	541,092	-	7,406	548,498
Fiscal	282,855	-	6,022	288,877
Operation and maintenance of plant	615,424	-	36,461	651,885
Pupil transportation	302,607	-	-	302,607
Non-instructional services:				
Extracurricular activities	156,865	-	100,064	256,929
Food service	-	-	264,795	264,795
Capital outlay	-	-	21,484	21,484
Debt Service:				
Interest and fiscal charges	-	94,856	-	94,856
<b>Total expenditures</b>	<b>6,551,206</b>	<b>94,856</b>	<b>1,003,888</b>	<b>7,649,950</b>
Excess of revenues over (under) expenditures	<b>384,916</b>	<b>(94,856)</b>	<b>403,425</b>	<b>693,485</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	234,856	10,254	245,110
Transfers out	(10,254)	-	(234,856)	(245,110)
<b>Total other financing sources (uses):</b>	<b>(10,254)</b>	<b>234,856</b>	<b>(224,602)</b>	<b>-</b>
Net change in fund balance	374,662	140,000	178,823	693,485
Fund balance, beginning of year	1,067,235	(2,320,000)	739,535	(513,230)
Fund balance, end of year	\$ 1,441,897	(2,180,000)	918,358	180,255

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$ 693,485

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	119,292
Depreciation expense	(121,148)

Some expenses reported in the statement of activities, such as compensated absences and accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(8,698)
--	---------

Revenues in the statement of activities that do not provide current financial current financial resources are not reported as revenues in the funds.	(32,733)
--	----------

In the statement of activities, the loss on the sale of capital assets in reported while only proceeds from the sale are reported in the funds.	<u>(31,738)</u>
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Change in Net Assets of Governmental Activities \$ 618,460

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in pooled cash and investments	\$ <u>32,447</u>
Total assets	<u><u>32,447</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>32,447</u>
Total liabilities	\$ <u><u>32,447</u></u>

See accompanying notes to the basic financial statements.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the North Baltimore Local School District, Ohio (the "School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 in its government-wide financial statements provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow subsequent private-sector guidance. The more significant of the School District's accounting policies are described below.

#### **Reporting Entity**

North Baltimore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services to approximately 750 students and community members as authorized by state statute and/or federal guidelines.

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 School District. For the School District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with three organizations, one of which is defined as a jointly governed organization and two are insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Wood County Schools Health Insurance Consortium. These organizations are presented in Notes 13 and 14 to the basic financial statements.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2007

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### **Basis of Presentation**

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School 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 School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School 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 School 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 School District.

***Fund Financial Statements*** Fund financial statements report detailed information about the School 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.

### **Fund Accounting**

The School 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 School 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 School District are grouped into the categories governmental and fiduciary.



# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2007

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**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 School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Building Fund** – This fund was used to make building improvements and issued bond anticipation notes to finance the project. The fund has used the proceeds of the notes but still has a liability for the bond anticipation notes outstanding. The School District renewed the note for a one-year period during the fiscal year.

**Fiduciary Funds** report on net assets and changes in net assets. The School 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.

### **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 School 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, interest, tuition, student fees, and grants.

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.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2007

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**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 School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2007, which are intended to finance fiscal year 2008 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.

### **Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool and individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. Following Ohio statutes, the Board of Education has by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2007, investments were limited to STAROhio and certificates of deposit. Investments are reported at their fair value, which is based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 2007, the fair value of investments approximates cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2007. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2007.

### **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 expensed when used.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2007

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### Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$3,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School 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 capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Land improvements	15 years
Building improvements	10-40 years
Equipment and furniture	5-10 years
Vehicles	10 years

### 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 School 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 School 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.

### 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.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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### **Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

### **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.

### **Fund Balance Reserves**

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property tax advances, and budget stabilization set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

### **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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

## **2. DEFICIT FUND BALANCE**

At June 30, 2007, the Building Fund had a deficit fund balance of \$2,180,000 which 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.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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### **3. 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 School 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 two 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 that 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 institution.

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;

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2007

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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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 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 School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At year-end, \$1,900,384 of the School District's bank balance of \$2,051,634 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

#### Investments

The School District's investment in STAROhio 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 School District's investment in STAROhio is \$909,583 at June 30, 2007.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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### **4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District.

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law 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 taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at varying percentages of true value and on real property at 35% of true value.

Tangible personal property taxes are levied after April 1 on the value as of December 31 of the current year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 was 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Wood and Hancock Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007 are available to finance fiscal year 2007 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, 2007. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2007, was \$361,747 in the General Fund, \$43,073 in the Debt Service Fund, and \$16,873 in the Capital Projects Fund.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2007

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The assessed values upon which fiscal year 2007 taxes were collected are:

	<u>2006 Second- Half Collections</u>		<u>2007 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 58,915,210	79.31%	60,015,870	83.83%
Public Utility	4,585,900	6.17%	4,647,480	6.49%
Tangible Personal Property	<u>10,785,781</u>	14.52%	<u>6,928,747</u>	9.68%
Total Assessed Value	\$ <u>74,286,891</u>	100.00%	<u>71,592,097</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$55.50		\$54.80	

### 5. RISK MANAGEMENT

The School 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 School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be 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. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District also participates in the Wood County Benefit Plan Association Employee Insurance Benefits Program, a group insurance purchasing pool (Note 14), 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.



**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

**6. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance 7/1/06	Additions	Disposals	Balance 6/30/07
<b><i>Governmental Activities</i></b>				
<b>Nondepreciable:</b>				
Land	\$ 39,592	-	-	39,592
<b>Depreciable:</b>				
Land improvements	191,758	-	-	191,758
Buildings and improvements	3,631,259	47,442	-	3,678,701
Vehicles	593,052	-	-	593,052
Equipment and furniture	246,692	71,850	(64,813)	253,729
Subtotal	<u>4,662,761</u>	<u>119,292</u>	<u>(64,813)</u>	<u>4,717,240</u>
Totals at historical cost	<u>4,702,353</u>	<u>119,292</u>	<u>(64,813)</u>	<u>4,756,832</u>
Less accumulated depreciation:				
Land improvements	191,758	-	-	191,758
Buildings and improvements	1,575,625	70,900	-	1,646,525
Vehicles	470,260	28,331	-	498,591
Equipment and furniture	189,113	21,917	(33,075)	177,955
Total accumulated depreciation	<u>2,426,756</u>	<u>121,148</u>	<u>(33,075)</u>	<u>2,514,829</u>
Capital assets, net	<u>\$ 2,275,597</u>	<u>(1,856)</u>	<u>(31,738)</u>	<u>2,242,003</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2007**

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Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 26,787
Special	6,901
Other instruction	462
Support services:	
Pupil	1,995
Instructional staff	7,109
School administration	6,866
Fiscal	10,624
Operation and maintenance of plant	10,989
Pupil transportation	36,623
Extracurricular activities	5,776
Food service	7,017
	<hr/>
Total depreciation expense	\$ <u>121,148</u>

**7. DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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 may be obtained by writing to SERS, 300 East Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, currently 14% 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 School District's required contributions to SERS for the years ended June 30, 2007, 2006, and 2005 were approximately \$123,000, \$123,000, and \$129,000, respectively; 51% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 is recorded as a liability.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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### **State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basis 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 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, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 these active members who die before retirement may qualify for survivor benefits. 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.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2007, 2006, and 2005, were approximately \$409,000, \$404,000 and \$400,000 respectively; 83% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 is recorded as a liability.

### **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% of wages paid.

## **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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#### **8. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 and are funded on a pay-as-you-go basis.

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2007, the board allocated employer contributions equal to 1.00% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled approximately \$29,000 during fiscal year 2007. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.5 billion at June 30, 2006. For the year ended June 30, 2006, net health care costs paid by STRS were \$282.7 million and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 3.42% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2006 were \$158.8 million and the target level was \$200.6 million. At June 30, 2006, SERS' net assets available for payment of health care benefits were \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, equaled approximately \$30,000 during the 2007 fiscal year.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

**9. 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 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% of accrued, but unused sick leave.

**10. SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended June 30, 2007 follows:

	Principal Outstanding <u>7/1/06</u>	<u>Additions</u>	<u>Deletions</u>	Principal Outstanding <u>6/30/07</u>
Bond anticipation notes	\$ <u>2,320,000</u>	<u>2,180,000</u>	<u>(2,320,000)</u>	<u>2,180,000</u>

*Bond Anticipation Notes* - On December 15, 2005, the School District issued \$2,320,000 of bond anticipation notes for school improvements bearing interest at 4.10%. These notes matured on December 14, 2006 and were paid in full. On December 13, 2006, the School District issued \$2,180,000 of bond anticipation notes for school improvements bearing interest at 4.35%. These notes mature on December 13, 2007.

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>6/30/07</u>	Amounts Due in <u>One Year</u>
<i>Governmental Activities:</i>					
Compensated absences	\$ <u>567,104</u>	<u>84,093</u>	<u>(117,880)</u>	<u>533,317</u>	<u>75,238</u>
Total	\$ <u>567,104</u>	<u>84,093</u>	<u>(117,880)</u>	<u>533,317</u>	<u>75,238</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

## **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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#### **12. TRANSFERS**

Interfund transfers for the year ended June 30, 2007, consisted a transfer of \$10,254 from the General Fund to an Other Governmental Fund and a transfer of \$234,856 from an Other Governmental Fund to the Building Fund.

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.

#### **13. 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.

#### **14. INSURANCE PURCHASING POOLS**

##### *Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association 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.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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### *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 Sky Insurance, 1695 Indian Wood Circle Maumee, Ohio 43537.

## **15. CONTINGENCIES**

### **Grants**

The School 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 School District at June 30, 2007.

### **Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2007**

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**16. REQUIRED SET-ASIDES**

The School 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 and carried forward to be used for the same purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set-aside at the discretion of the School District. The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

		<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2006	\$	(230,705)	-	105,387
Current year set-aside requirement		107,984	107,984	-
Less qualifying disbursements and offsets		<u>(53,222)</u>	<u>(114,199)</u>	<u>(83,100)</u>
Total		<u>(175,943)</u>	<u>(6,215)</u>	<u>22,287</u>
Balance carried to FY2008		<u>(175,943)</u>	<u>-</u>	<u>22,287</u>
Cash balance as of June 30, 2007	\$	<u>-</u>	<u>-</u>	<u>22,287</u>

Since the School District had qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, this extra amount may be used to reduce the set aside requirement of future years. 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.



## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund  
Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	\$ 2,510,840	2,493,927	2,493,927	-
Tuition and fees	168,381	196,090	196,090	-
Interest	88,240	126,823	126,823	-
Intergovernmental	3,632,696	3,879,593	3,879,593	-
Other local revenues	8,515	12,812	12,812	-
<b>Total revenues</b>	<b>6,408,672</b>	<b>6,709,245</b>	<b>6,709,245</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,649,489	2,634,168	2,634,168	-
Special education	276,953	917,384	917,384	-
Other instruction	392,303	448,069	448,069	-
Support services:				
Pupil	241,342	219,546	219,546	-
Instructional staff	1,058,759	452,523	452,523	-
Board of Education	102,819	113,631	113,631	-
Administration	553,861	564,451	564,451	-
Fiscal	285,301	304,783	304,783	-
Operation and maintenance of plant	610,406	655,884	655,884	-
Pupil transportation	295,494	307,856	307,856	-
Non-instructional services:				
Extracurricular activities	155,798	155,137	155,137	-
<b>Total expenditures</b>	<b>6,622,525</b>	<b>6,773,432</b>	<b>6,773,432</b>	<b>-</b>
Excess of revenues over expenditures	(213,853)	(64,187)	(64,187)	-
<b>Other financing sources (uses):</b>				
Transfers in	36,031	44,194	44,194	-
Transfers out	(47,699)	(28,748)	(28,748)	-
Other sources	8,255	8,004	8,004	-
<b>Total other financing sources (uses):</b>	<b>(3,413)</b>	<b>23,450</b>	<b>23,450</b>	<b>-</b>
Net change in fund balance	(217,266)	(40,737)	(40,737)	-
Fund balance, beginning of year	1,632,083	1,632,083	1,632,083	
Prior year encumbrances appropriated	162,609	162,609	162,609	
Fund balance, end of year	\$ 1,577,426	1,753,955	1,753,955	

See accompanying notes to required supplemental information.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2007

## Note A Budgetary Basis of Accounting

While the District is 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:

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).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

		<u>General</u>
Net change in fund balance - GAAP Basis	\$	374,662
Increase / (decrease):		
Due to revenues		(226,877)
Due to expenditures		(77,560)
Due to other sources (uses)		33,704
Due to encumbrances		<u>(144,666)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$	<u><u>(40,737)</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
North Baltimore Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Local School District ("School District") as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 22, 2008.

This report is intended solely for the information and use of the Board of Education, management, and others within the entity, and is not intended to be and should not be used by anyone other than those specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 22, 2008



**Mary Taylor, CPA**  
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**  
**JANUARY 29, 2009**