



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, 2012, 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, 2012, 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 March 5, 2013, 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund provides additional analysis and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were 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 5, 2013

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012. This is meant to be an easily readable summary of the most important financial information regarding the accompanying basic financial statements. Please read it in conjunction with the School District's basic financial statements.

Financial Highlights

Major financial highlights for fiscal year 2012 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by . Of this amount, is unrestricted.
- ✓ In total, net assets increased by \$1,970,790.
- ✓ The School District had \$8,473,546 in expenses related to governmental activities; only \$1,254,616 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$9,189,720, 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 \$805,703 from \$2,134,584 at June 30, 2011 to \$2,940,287 at June 30, 2012.

OVERVIEW OF THE BASIC 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.

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.

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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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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 School District's overall financial position at June 30, 2012 and 2011:

	<u>FY2012</u>	<u>FY2011</u>
Assets:		
Current and other assets	\$ 14,374,626	24,568,642
Capital assets	<u>21,228,225</u>	<u>8,673,920</u>
Total assets	<u>35,602,851</u>	<u>33,242,562</u>
Liabilities:		
Long-term liabilities	12,181,938	12,562,712
Other liabilities	<u>5,902,755</u>	<u>5,132,482</u>
Total liabilities	<u>18,084,693</u>	<u>17,695,194</u>
Net assets:		
Invested in capital assets, net of debt	13,931,355	3,778,989
Restricted:		
For capital purposes	216,759	8,776,229
Other purposes	366,397	301,751
Debt service	507,809	459,483
Unrestricted	<u>2,495,838</u>	<u>2,230,916</u>
Total net assets	<u>\$ 17,518,158</u>	<u>15,547,368</u>

The largest portion of the School District's net assets reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School 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 2011 is the addition of construction in progress within capital assets, which are related to the continued construction of the new middle/high school building, athletic field house and Powell Elementary building. The funding of the construction also accounts for the decrease in current and other assets (cash and investments). The balance of unrestricted net assets of may be used to meet the government's ongoing obligations to citizens and creditors.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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B. Governmental Activities during fiscal year 2012

The following table presents a condensed summary of the School District's activities during fiscal year 2012 and 2011 and the resulting change in net assets:

	<u>FY2012</u>	<u>FY2011</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 452,859	472,418
Operating grants and contributions	<u>801,757</u>	<u>1,017,065</u>
Total program revenues	<u>1,254,616</u>	<u>1,489,483</u>
General revenues:		
Property and income taxes	3,482,426	3,811,935
Grants and entitlements	4,839,560	4,461,248
Revenue on behalf of District	382,816	-
Payment in lieu of taxes	291,240	3,635
Investment earnings	42,324	39,027
Miscellaneous	<u>151,354</u>	<u>336,109</u>
Total general revenues	<u>9,189,720</u>	<u>8,651,954</u>
Total revenues	<u>10,444,336</u>	<u>10,141,437</u>
Expenses:		
Instruction	4,841,555	5,037,435
Support services:		
Pupil	207,175	214,460
Instructional staff	240,091	387,062
Board of Education	171,670	128,919
Administration	638,433	616,215
Fiscal	357,041	321,115
Operation and maintenance of plant	671,879	711,928
Pupil transportation	333,737	276,753
Extracurricular activities	290,541	267,496
Interest and fiscal charges	431,636	388,933
Food services	<u>289,788</u>	<u>287,946</u>
Total expenses	<u>8,473,546</u>	<u>8,638,262</u>
Change in net assets	<u>\$ 1,970,790</u>	<u>1,503,175</u>

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Of the total governmental activities revenues of \$10,444,336, 12% (\$1,254,616) 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, \$3,482,426 (38%) comes from property and income taxes and \$4,839,560 (53%) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

The School District's total revenue increased by approximately \$303,000 during fiscal year 2012, due primarily to the increase in Classroom Facilities Project funds. Expenditures remained relatively consistent, experiencing a decrease of only 1.9% from fiscal year 2011.

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 \$4,841,555 but program revenue contributed to fund 18% of those costs. Thus, general revenues of \$3,985,547 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	\$	4,841,555	856,008	18%	3,985,547
Support services		2,620,026	29,964	1%	2,590,062
Non-instructional services		580,329	368,644	64%	211,685
Interest and fiscal charges		431,636	-	0%	431,636
Total	\$	<u>8,473,546</u>	<u>1,254,616</u>	<u>15%</u>	<u>7,218,930</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has four major governmental funds: the General Fund, Debt Service Fund, Building Fund and the Classroom Facilities Project Fund. Assets of these four funds comprise \$13,212,675 (94%) of the total \$14,017,244 governmental funds assets.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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General Fund. Fund balance at June 30, 2012 was \$2,940,287, with an unassigned fund balance of \$2,634,425. The fund balance increased by \$805,703. The unassigned fund balance represents approximately 39% of current-year general fund expenditures. The general fund balance increase is consistent with the prior year with having a full year's collections from a tax increment financing agreement and cost containment measures which reduced expenditures by 1%.

Debt Service Fund. This fund is used to accumulate resources to retire the School District's school improvement bonds. All required bond payments were made as scheduled during the current fiscal year.

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.

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 and renovation to the Powell Elementary building. During fiscal year 2012, the School District continued to receive project funds from the state as the construction process progressed, including an increase in the total award amount of \$368,413.

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. The budget for the General Fund remained relatively unchanged during the year, with budgeted expenditures increasing only by 1%. There was no change between final budgeted revenue and actual revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2012, the School District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The School District continued construction on its new facilities and renovations to the Powell Elementary building during the fiscal year, leading to the increase in capital assets. See Note 7 to the basic financial statements for more detail.

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

		<u>FY2012</u>	<u>FY2011</u>
Land	\$	792,032	792,032
Buildings and improvements		1,660,373	1,734,464
Equipment and furniture		65,819	68,975
Vehicles		151,457	182,502
Construction in progress		<u>18,558,544</u>	<u>5,895,947</u>
Total	\$	<u><u>21,228,225</u></u>	<u><u>8,673,920</u></u>

Debt

During the year, the School District made its regularly scheduled payments on its Series 2009 classroom facilities improvement bonds. As of June 30, 2012, the School District's obligations for these bonds was \$11,086,800, which are payable over the next twenty-six years.

See Note 11 to the basic financial statements for more detail.

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, property devaluations, the unconstitutional state foundation formula, ADM counts, open-enrollment polices, community and charter schools options and the possible developments in growth to the town of North Baltimore, such as the CSX's Northwest Ohio Intermodal Rail Yard that was opened in 2010 to create a national gateway connecting the Mid-Atlantic region to the Midwest and beyond, to mention a few areas.

In March 2012, the School District's voters passed a 5-year 1% earned income tax renewal levy. The School District received approximately \$657,000 (cash basis) in fiscal year 2012.

The School District passed a 2 mill renewal Permanent Improvement Levy for a continuing period on the November 2007 Ballot. The 8 mill Five-Year Renewal Operating Levy passed in March 2008 and will be on the May 2013 ballot for renewal. An 8.9 mill Continuing Replacement Levy was passed in May 2010 that helped keep the School District in a positive cash flow. If results occur as projected or get worse, the School District will need to look at passing new monies in Fiscal Year 2015 or making additional cuts. Finally, the School District passed a \$157,000 Ten-Year Renewal Emergency Levy in May 2011.

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On May 5, 2010, the voters passed a 7.57 mill bond issue for the purpose of building a new middle school/high school, an athletic field house, and renovating Powell Elementary. This represents the School District's share of the project with the State contributing approximately \$12.5 million. A .25% income tax was also passed to pay for the School District's share of the OSFC project. Powell Elementary was opened to students during the 2010-2011 school year, the new middle school/high school was opened for the 2012-2013 school year and the athletic field house was dedicated on November 19, 2012.

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 South Main Street, North Baltimore, Ohio 45872-1364.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 9,096,454
Receivables:	
Taxes	4,153,382
Intergovernmental	704,706
Supplies inventory	9,070
Deferred charges	411,014
Nondepreciable capital assets	19,350,576
Depreciable capital assets, net	<u>1,877,649</u>
Total assets	<u>35,602,851</u>
Liabilities:	
Accounts payable	1,397,336
Accrued wages and benefits	632,160
Intergovernmental payable	121,592
Unearned revenue	3,657,836
Accrued interest payable	93,831
Noncurrent liabilities:	
Due within one year	443,791
Due within more than one year	<u>11,738,147</u>
Total liabilities	<u>18,084,693</u>
Net Assets:	
Invested in capital assets, net of related debt	13,931,355
Restricted for:	
Capital projects	216,759
Other purposes	366,397
Debt service	507,809
Unrestricted	<u>2,495,838</u>
Total net assets	<u>\$ 17,518,158</u>

See accompanying notes to the basic financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

Statement of Activities

Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 2,755,608	270,351	127,056	\$ (2,358,201)
Special education	1,446,182	-	457,371	(988,811)
Other	639,765	-	1,230	(638,535)
Support services:				
Pupil	207,175	-	-	(207,175)
Instructional staff	240,091	-	29,964	(210,127)
Board of Education	171,670	-	-	(171,670)
Administration	638,433	-	-	(638,433)
Fiscal	357,041	-	-	(357,041)
Operation and maintenance of plant	671,879	-	-	(671,879)
Pupil transportation	333,737	-	-	(333,737)
Non-instructional services:				
Extracurricular activities	290,541	52,612	-	(237,929)
Food service	289,788	129,896	186,136	26,244
Interest and fiscal charges	431,636	-	-	(431,636)
Total Governmental Activities	\$ <u>8,473,546</u>	<u>452,859</u>	<u>801,757</u>	<u>(7,218,930)</u>

General Revenues:

Property taxes, levied for general purposes	2,015,655
Property taxes, levied for debt services	599,732
Property taxes, levied for capital projects	47,308
Income taxes	819,731
Grants and entitlements not restricted to specific programs	4,839,560
Revenue on behalf of District	382,816
Payment in lieu of taxes	291,240
Investment earnings	42,324
Miscellaneous	151,354
Total general revenues	<u>9,189,720</u>
Change in net assets	1,970,790
Net assets beginning of year	<u>15,547,368</u>
Net assets end of year	\$ <u><u>17,518,158</u></u>

See accompanying notes to the basic financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	Building	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and investments	\$ 3,183,166	543,278	1,292,951	3,510,872	566,187	9,096,454
Receivables:						
Taxes	3,155,551	891,321	-	-	106,510	4,153,382
Intergovernmental	294,024	-	-	287,880	122,802	704,706
Materials and supplies inventory	-	-	-	-	9,070	9,070
Interfund receivable	53,632	-	-	-	-	53,632
Total assets	<u>6,686,373</u>	<u>1,434,599</u>	<u>1,292,951</u>	<u>3,798,752</u>	<u>804,569</u>	<u>14,017,244</u>
Liabilities:						
Accounts payable	44,423	-	379,594	968,679	4,640	1,397,336
Accrued wages and benefits	574,131	-	-	-	58,029	632,160
Intergovernmental payable	114,026	-	-	-	7,566	121,592
Interfund payable	-	-	-	-	53,632	53,632
Compensated absences payable	24,273	-	-	-	3,519	27,792
Deferred revenue	2,989,233	761,694	-	134,460	145,263	4,030,650
Total liabilities	<u>3,746,086</u>	<u>761,694</u>	<u>379,594</u>	<u>1,103,139</u>	<u>272,649</u>	<u>6,263,162</u>
Fund Balances:						
Nonspendable	-	-	-	-	9,070	9,070
Restricted	-	672,905	913,357	2,695,613	567,109	4,848,984
Assigned	305,862	-	-	-	-	305,862
Unassigned (Deficit)	2,634,425	-	-	-	(44,259)	2,590,166
Total fund balances	<u>2,940,287</u>	<u>672,905</u>	<u>913,357</u>	<u>2,695,613</u>	<u>531,920</u>	<u>7,754,082</u>
Total liabilities and fund balances \$	<u>6,686,373</u>	<u>1,434,599</u>	<u>1,292,951</u>	<u>3,798,752</u>	<u>804,569</u>	<u>14,017,244</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, 2012

Total Governmental Fund Balances	\$	7,754,082
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.		411,014
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,228,225
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		372,814
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	11,198,539	
Premium on bond issue	411,014	
Accrued interest payable	93,831	
Compensated absences	<u>544,593</u>	
Total		<u>(12,247,977)</u>
Net Assets of Governmental Activities	\$	<u>17,518,158</u>

See accompanying notes to the basic financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2012

	General	Debt Service	Building	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 2,668,974	755,432	-	-	62,311	3,486,717
Tuition and fees	270,351	-	-	-	-	270,351
Interest	895	-	8,292	33,052	85	42,324
Charges for services	-	-	-	-	129,896	129,896
Extracurricular activities	-	-	-	-	52,612	52,612
Intergovernmental	4,268,264	112,536	-	1,147,571	866,039	6,394,410
Revenue on behalf of District	-	-	-	382,816	-	382,816
Payment in lieu of taxes	291,240	-	-	-	-	291,240
Contributions and donations	39,555	-	50	-	73,927	113,532
Other local revenues	111,569	-	-	-	19,830	131,399
Total revenues	<u>7,650,848</u>	<u>867,968</u>	<u>8,342</u>	<u>1,563,439</u>	<u>1,204,700</u>	<u>11,295,297</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,625,798	-	-	-	51,437	2,677,235
Special education	898,430	-	-	-	541,112	1,439,542
Other instruction	638,091	-	-	-	1,230	639,321
Support services:						
Pupil	205,256	-	-	-	-	205,256
Instructional staff	201,060	-	-	-	31,472	232,532
Board of Education	171,670	-	-	-	-	171,670
Administration	632,086	-	-	-	-	632,086
Fiscal	339,560	12,176	-	-	1,391	353,127
Operation and maintenance of plant	625,469	-	-	-	11,938	637,407
Pupil transportation	295,661	-	-	-	-	295,661
Non-instructional services:						
Extracurricular activities	199,662	-	-	-	73,738	273,400
Community service	-	-	-	-	3,900	3,900
Food service	-	-	-	-	283,328	283,328
Capital outlay	-	-	2,356,467	10,346,370	39,497	12,742,334
Debt Service:						
Principal	-	397,976	-	-	-	397,976
Interest and fiscal charges	-	370,682	-	-	-	370,682
Total expenditures	<u>6,832,743</u>	<u>780,834</u>	<u>2,356,467</u>	<u>10,346,370</u>	<u>1,039,043</u>	<u>21,355,457</u>
Excess of revenues over/ (under) expenditures	<u>818,105</u>	<u>87,134</u>	<u>(2,348,125)</u>	<u>(8,782,931)</u>	<u>165,657</u>	<u>(10,060,160)</u>
Other financing sources (uses):						
Transfers in	-	-	6,332	256,016	6,070	268,418
Transfers out	(12,402)	-	(256,016)	-	-	(268,418)
Total other financing sources (uses):	<u>(12,402)</u>	<u>-</u>	<u>(249,684)</u>	<u>256,016</u>	<u>6,070</u>	<u>-</u>
Net change in fund balance	805,703	87,134	(2,597,809)	(8,526,915)	171,727	(10,060,160)
Fund balance, beginning of year	<u>2,134,584</u>	<u>585,771</u>	<u>3,511,166</u>	<u>11,222,528</u>	<u>360,193</u>	<u>17,814,242</u>
Fund balance, end of year	\$ <u>2,940,287</u>	<u>672,905</u>	<u>913,357</u>	<u>2,695,613</u>	<u>531,920</u>	<u>7,754,082</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
Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (10,060,160)

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	12,674,687	
Depreciation expense	<u>(120,382)</u>	12,554,305

Revenues in the statement of activities that do not provide current financial
current financial resources are not reported as revenues in the funds. (850,961)

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. (9,416)

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. 397,976

In the statement of activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due. (8,803)

Accretion on capital appreciation bonds is recorded each year as interest
in the statement of activities. (52,151)

Change in Net Assets of Governmental Activities \$ 1,970,790

See accompanying notes to the basic financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	\$ <u>25,891</u>
Total assets	<u><u>25,891</u></u>
LIABILITIES	
Due to student groups	<u>25,891</u>
Total liabilities	\$ <u><u>25,891</u></u>

See accompanying notes to the basic financial statements.

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

1. 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 790 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 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 Council, the Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Wood County Schools Benefit Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of 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 more significant of the School District's accounting policies are described below.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 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.

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.

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
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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.

Debt Service Fund – This fund is used to accumulate resources to retire the School District's school improvement bonds.

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 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. The School District's only agency fund is used to account for student activities.

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, income taxes, 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.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012

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 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, 2012, which are intended to finance fiscal year 2013 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 basic financial statements. The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$895, which included \$701 assigned from other School District funds.

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). 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, 2012, the fair value of investments approximates cost. 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, 2012.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

Inventory

Inventories are stated at cost. 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.

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 and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	7 - 30 years
Building and improvements	7 - 40 years
Equipment and furniture	5 - 30 years
Vehicles	7 - 15 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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.

Interfund Transactions

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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.

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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 School 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 School 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 School District Board of Education.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

WOOD COUNTY

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

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 School 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.

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.

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.

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 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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;
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;
6. The State Treasurer's investment pool (STAROhio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and
8. Commercial paper and bankers' acceptances, if training requirements are met.

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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 for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,411,251 of the School District's bank balance of \$7,779,599 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

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 \$1,573,388 at June 30, 2012.

4. PROPERTY TAXES

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

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

WOOD COUNTY

Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012 are available to finance fiscal year 2012 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 and public utility taxes that became measurable as of June 30, 2012 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 is levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2012, \$257,978 in the General Fund and \$79,732 in the Debt Service Fund and \$10,703 in the Other Governmental Funds. The assessed values upon which fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 66,080,050	93.00%	65,288,470	92.99%
Public Utility	4,805,490	6.76%	4,923,570	7.01%
Tangible Personal Property	169,060	0.24%	-	0.00%
Total Assessed Value	\$ <u>71,054,600</u>	100.00%	<u>70,212,040</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$57.10		\$59.10	

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012

5. INCOME TAXES

As approved by voters in May 2007 and renewed in March 2012, the School District levies a 1% school income tax on earned income of residents of the School District, continuing for another five-year period ending December 2017. An additional .25% income tax was approved by the voters on May 5, 2010 for the purpose of paying the School 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, 2012, the School District recorded income tax revenue of \$819,731 in the entity-wide financials and a receivable as of June 30, 2012 of \$310,891.

6. 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 (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 School 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.

The School District also participates in the Wood County Schools Benefit Plan, a group insurance purchasing pool (Note 15), 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
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
<i>Governmental Activities</i>				
Nondepreciable:				
Land	\$ 792,032	-	-	792,032
Construction in progress	5,895,947	12,662,597	-	18,558,544
Depreciable:				
Land improvements	191,758	-	-	191,758
Buildings and improvements	3,678,701	-	-	3,678,701
Vehicles	565,854	-	-	565,854
Equipment and furniture	282,108	12,090	-	294,198
Subtotal	<u>4,718,421</u>	<u>12,090</u>	<u>-</u>	<u>4,730,511</u>
Totals at historical cost	<u>11,406,400</u>	<u>12,674,687</u>	<u>-</u>	<u>24,081,087</u>
Less accumulated depreciation:				
Land improvements	191,758	-	-	191,758
Buildings and improvements	1,944,237	74,091	-	2,018,328
Vehicles	383,352	31,045	-	414,397
Equipment and furniture	213,133	15,246	-	228,379
Total accumulated depreciation	<u>2,732,480</u>	<u>120,382</u>	<u>-</u>	<u>2,852,862</u>
Capital assets, net	<u>\$ 8,673,920</u>	<u>12,554,305</u>	<u>-</u>	<u>21,228,225</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 28,836
Special education	6,640
Other	444
Support services:	
Pupil	1,919
Instructional staff	7,559
Administration	6,347
Fiscal	3,985
Operation and maintenance of plant	6,875
Pupil transportation	38,076
Extracurricular activities	13,241
Food service	6,460
Total depreciation expense	<u>\$ 120,382</u>

8. 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, 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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 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 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, 2012, the allocation to pension and death benefits was 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were approximately as \$131,000, \$131,000, and \$137,000, respectively, which equaled the required contributions each year.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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State Teachers Retirement System

The School 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 School 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.

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% 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% 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%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% 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% instead of 2.2%. 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

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% 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% 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% 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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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% for members and 14% for employers.

Contribution requirements and the contributions actually made for fiscal year ended June 30, 2012 were 10% of covered payroll for members and 14% for employers. The School District's required contributions for the years ended June 30, 2012, 2011, and 2010, were approximately \$430,000, \$438,000, and \$434,000, respectively; 84% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010. The unpaid contribution for fiscal year 2012 is recorded as a liability.

9. POSTEMPLOYMENT BENEFITS

The School 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 self-directed 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% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2012, 2011, and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years June 30, 2012, 2011, and 2010 were approximately \$31,000 for each year; 84% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

SERS administers two postemployment benefit plans:

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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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 2012, the actuarially required allocation was 0.75%. The School District contributions for the years ended June 30, 2012, 2011, and 2010 were \$7,000 for each year, which equaled the required contributions each year.

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% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation was 0.55%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for the years ended June 30, 2012, 2011, and 2010 were approximately \$5,000, \$13,000, and \$5,000, respectively, which equaled the required contributions each year.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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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.

10. 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% of accrued, but unused sick leave.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 7/1/11	Additions	Reductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<i>Governmental Activities:</i>					
2009 Classroom Facilities Improvement Bonds: \$					
General obligation bonds	1,960,000	-	(75,000)	1,885,000	85,000
Capital appreciation bonds	24,992	-	(2,976)	22,016	4,545
Accretion on CAB's	12,068	12,723	(2,024)	22,767	-
2009A School Facilities Improvement Bonds:					
General obligation bonds	7,775,000	-	(290,000)	7,485,000	195,000
Capital appreciation bonds	75,212	-	-	75,212	17,874
Accretion on CAB's	30,002	27,203	-	57,205	-
2009B School Facilities Improvement Bonds:					
General obligation bonds	1,590,000	-	(30,000)	1,560,000	110,000
Capital appreciation bonds	59,572	-	-	59,572	-
Accretion on CAB's	17,518	14,249	-	31,767	-
Premium on bond issues	432,987	-	(21,973)	411,014	-
Compensated absences	585,361	40,668	(53,644)	572,385	31,372
Total	\$ 12,562,712	94,843	(475,617)	12,181,938	443,791

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements

Fiscal Year Ended June 30, 2012

On October 28, 2009, the School District issued \$1,994,992 in Series 2009 classroom facilities improvement bonds to finance a portion of the School 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% of the project costs. The bonds were issued with interest rates between 1.67% to 4.81% and a final maturity at September 30, 2025.

Also on October 28, 2009, the School 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% to 5.25% and a final maturity at September 30, 2037.

On December 9, 2009, the School 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% to 4.10% and a final maturity at December 1, 2025.

All general obligation debt is supported by the full faith and credit of the School 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, 2012 are:

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Ending June 30,</u>				
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		459,441	374,369	833,810
2018-2022		2,349,304	1,920,726	4,270,030
2023-2027		2,545,000	1,240,159	3,785,159
2028-2032		1,550,000	839,313	2,389,313
2033-2037		2,000,000	378,125	2,378,125
2038		455,000	11,375	466,375
Total	\$	<u>11,086,800</u>	<u>6,295,870</u>	<u>17,382,670</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

12. FUND BALANCES

Fund balance is classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School 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:

Fund Balances	General	Debt Service	Building	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>						
Inventory	\$ -	-	-	-	9,070	9,070
<i>Restricted for</i>						
Food Service Operations	-	-	-	-	37,633	37,633
Classroom Maintenance	-	-	-	-	169,162	169,162
Athletics	-	-	-	-	25,002	25,002
Entry Year Programs	-	-	-	-	350	350
Miscellaneous Federal Grants	-	-	-	-	1,230	1,230
Other Purposes	-	-	-	-	74,494	74,494
Debt Service Payments	-	672,905	-	-	-	672,905
Capital Improvements	-	-	913,357	2,695,613	259,238	3,868,208
<i>Total Restricted</i>	-	672,905	913,357	2,695,613	567,109	4,848,984
<i>Assigned to</i>						
Public School Support	26,271	-	-	-	-	26,271
Budget Resource	220,221	-	-	-	-	220,221
Encumbrances	59,370	-	-	-	-	59,370
<i>Total Assigned</i>	305,862	-	-	-	-	305,862
<i>Unassigned (Deficit)</i>	2,634,425	-	-	-	(44,259)	2,590,166
<i>Total Fund Balance</i>	\$ 2,940,287	672,905	913,357	2,695,613	531,920	7,754,082

At June 30, 2012, the following funds had a deficit fund balance:

Education Jobs	\$ 20,853
Race-to-the-Top	1,419
Technology Improvements	1,230
Title I	16,199
Improving Teacher Quality	4,558
	\$ <u>44,259</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Fiscal Year Ended June 30, 2012**

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.

13. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2012 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 53,632	-	-	12,402
Building Fund	-	-	6,332	256,016
Classroom Facilities Project Fund	-	-	256,016	-
Other Governmental Funds	-	53,632	6,070	-
	\$ <u>53,632</u>	<u>53,632</u>	<u>268,418</u>	<u>268,418</u>

The interfund loans were made to provide operating capital. 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.

14. 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Fiscal Year Ended June 30, 2012**

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 nine superintendents from member districts.

15. INSURANCE PURCHASING POOLS

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

The School 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 Benefit Plan

The Wood County Schools Benefit Plan (the Plan) 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 Plan 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 Plan.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Huntington Bank, Dena Best, 236 South Main Street, Findlay, Ohio 45840.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

16. CONTINGENCIES AND COMMITMENTS

Federal and State Funding

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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

There are currently no matters in litigation with the School District as a defendant.

Encumbrances

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District's outstanding encumbrance amounts at June 30, 2012 were:

General Fund	\$	101,445
Building Fund		459,742
Classroom Facilitites Project Fund		2,989,953
Other Governmental Funds		<u>72,606</u>
	\$	<u>3,623,746</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2012**

17. 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 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. Effective July 1, 2011, House Bill No. 30 repealed the textbook set-aside requirement. The following cash basis information describes the change in the year-end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

		<u>Textbook/ Technology</u>	<u>Capital Improvements</u>
Restated set-aside reserve balance as of June 30, 2011	\$	56,786	-
Current year set-aside requirement		-	126,360
Current year offsets		-	(126,360)
H.B. 30 Elimination		<u>(56,786)</u>	<u>-</u>
Total	\$	<u>-</u>	<u>-</u>
Set-aside reserve balance as of June 30, 2012	\$	<u>-</u>	<u>-</u>

The School 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

General Fund

Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 2,820,856	2,910,111	2,910,111	-
Tuition and fees	251,473	259,430	259,430	-
Interest	868	895	895	-
Intergovernmental	4,134,654	4,265,480	4,265,480	-
Payment in lieu of taxes	282,307	291,240	291,240	-
Contributions and donations	39,095	40,332	40,332	-
Other local revenues	64,466	66,506	66,506	-
Total revenues	<u>7,593,719</u>	<u>7,833,994</u>	<u>7,833,994</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,636,779	2,689,779	2,666,858	22,921
Special education	895,384	895,384	920,546	(25,162)
Other instruction	615,135	615,135	649,344	(34,209)
Support services:				
Pupil	198,350	198,350	211,613	(13,263)
Instructional staff	400,844	426,844	188,524	238,320
Board of Education	150,621	150,621	198,584	(47,963)
Administration	634,766	634,766	615,359	19,407
Fiscal	307,314	307,314	335,313	(27,999)
Operation and maintenance of plant	623,519	633,519	663,034	(29,515)
Pupil transportation	307,888	312,888	290,493	22,395
Non-instructional services:				
Extracurricular activities	158,496	158,496	166,371	(7,875)
Total expenditures	<u>6,929,096</u>	<u>7,023,096</u>	<u>6,906,039</u>	<u>117,057</u>
Excess of revenues over expenditures	664,623	810,898	927,955	117,057
Other financing sources (uses):				
Transfers out	(231,000)	(441,000)	(12,402)	428,598
Other sources	5,677	5,857	5,857	-
Total other financing sources (uses):	<u>(225,323)</u>	<u>(435,143)</u>	<u>(6,545)</u>	<u>428,598</u>
Net change in fund balance	439,300	375,755	921,410	545,655
Fund balance, beginning of year	2,095,075	2,095,075	2,095,075	
Prior year encumbrances appropriated	92,548	92,548	92,548	
Fund balance, end of year	\$ <u>2,626,923</u>	<u>2,563,378</u>	<u>3,109,033</u>	

See accompanying notes to required supplementary information.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2012

Note A Budgetary Basis of Accounting

While the School 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:

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).

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 restricted, committed or assigned fund balance (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	\$	805,703
Increase / (decrease):		
Due to inclusion of Public School Support Fund		(13,213)
Due to revenues		196,359
Due to expenditures		28,159
Due to other sources (uses)		5,857
Due to encumbrances		<u>(101,455)</u>
Net change in fund balance	\$	<u>921,410</u>

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555		
Cash Assistance		\$114,092	\$114,092
Non-Cash Assistance (Commodities)		13,270	13,270
Total National School Lunch Program		<u>127,362</u>	<u>127,362</u>
School Breakfast Program	10.553	33,543	33,543
Total United States Department of Agriculture		<u>160,905</u>	<u>160,905</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	161,169	179,369
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	7,154	5,153
Total Title I Cluster		<u>168,323</u>	<u>184,522</u>
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	190,155	190,155
ARRA - Special Education - Grants to States, Recovery Act	84.391		1,861
Total Special Education Cluster:		<u>190,155</u>	<u>192,016</u>
Education Technology State Grants	84.318		1,230
Improving Teacher Quality State Grants	84.367	30,868	34,326
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	12,759	24,149
Educational Jobs Grant	84.410	129,488	153,459
Total United States Department of Education		<u>531,593</u>	<u>589,702</u>
Total Federal Awards Receipts and Expenditures		<u>\$692,498</u>	<u>\$750,607</u>

The accompanying notes 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, 2012**

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 United States 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.



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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2013. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-002 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 2012-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 5, 2013.

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

We intend this report solely for the information and use of the Finance 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.



Dave Yost
Auditor of State

March 5, 2013



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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 the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. 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 opine 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*. These 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 these 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 these requirements.

In our opinion, North Baltimore Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2012.

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, 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 Finance 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, flowing style.

Dave Yost
Auditor of State

March 5, 2013

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Educational Jobs Grant - CFDA #84.410 Special Education Cluster: Special Education – Grants to States – CFDA #84.027 ARRA-Special Education – Grants to States – CFDA #84.391 Child Nutrition Cluster: National School Lunch Program – CFDA #10.555 School Breakfast Program – CFDA #10.553
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-001

Finding for Recovery Repaid Under Audit

The union contract for certified employees indicates that all certificated/licensed staff is to be paid for five extended service days at the employee's per diem rate.

Brigitte Teyner, a teacher, was paid her contract and ten extended service days less 5 unpaid days for time off taken totaling \$38,899. Ms. Teyner qualifies as "certificated/licensed staff" and is therefore subject to the above mentioned union contract. Pursuant to union contract noted above, Ms. Teyner should have only been paid her contract amount plus 5 extended days. Ms. Teyner also was allowed 5 unpaid days of time off. Her total earnings should have been \$37,897. She was, therefore, overpaid by \$1,002.

Each check issued to Ms. Teyner during the fiscal year was signed by Treasurer, Eve Baldwin.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Brigitte Teyner, Teacher, in the amount of \$1,002 and in favor of the North Baltimore Local School District, Wood County, General Fund.

Ms. Teyner reimbursed the District \$1,002 on February 13, 2013. This money was credited to the General Fund of the District.

Officials' Response:

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

FINDING NUMBER 2012-002

Material Weakness – Monitoring Financial Reporting

The following transactions required reclassification adjustments and the accompanying financial statements reflect these amounts:

- Revenue of \$382,816 which should have been posted as Revenue on Behalf of District was misclassified into miscellaneous revenue on the Statement of Activities and as other local revenue in the Classroom Facilities Project Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Revenue of \$368,413 was misclassified into the line item Classroom Facilities Assistance Program on the Statement of Activities instead of Grants and entitlements not restricted to specific programs.
- \$40,251 was netted against the revenue received on behalf of the School District instead of expensing it in Capital Outlay in the Classroom Facilities Project Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Extracurricular activity revenue of \$52,612 was reported as miscellaneous revenue in the Statement of Revenues, Expenditures and Changes in Fund Balances.

**FINDING NUMBER 2012-002
(Continued)**

- The revenues in the original general fund budget were not reported correctly on the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) in amounts ranging from \$603 to \$251,462. In addition, actual transfers in and out of \$284,173 were overstated due to being corrections on the books and not actual transfers.

Accurate financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the District's financial statements and notes to the financial statements are complete and accurate, we recommend the District adopt policies and procedures for reviewing the financial statements for accuracy.

Officials' Response:

None of these items impacted the amounts recorded on the School District's internal books and records. Throughout the year, the School District maintains its books and records on the cash basis and undertakes a process at the end of each year to prepare its financial statements in accordance with GAAP. It is important to note that the reclassification entries proposed by the auditors had no net effect on the School District's overall financial position and the revenue as reported within the financial statements was substantively complete.

3. FINDINGS FOR FEDERAL AWARDS

None

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Revised Code § 5705.10(D) for revenues being posted to improper funds	Yes	

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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 19, 2013**