



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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NORTH BALTIMORE LOCAL SCHOOL DISTRICT WOOD COUNTY

For the Year Ended June 30, 2015
Fiscal Year Audited Under GAGAS: 2015



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the North Baltimore Local School District, Wood County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 16, 2017

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY**

Basic Financial Statements
For the Year Ended June 30, 2015

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

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 School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 16, 2016

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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, 2015. 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 2015 are listed below:

- ✓ The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$8,336,391. In total, net position decreased by \$624,005.
- ✓ The School District had \$10,527,719 in expenses related to governmental activities; only \$897,738 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$9,005,976, 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 \$232,847 from \$3,832,880 at June 30, 2014 to \$4,065,727 at June 30, 2015.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is 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 position presents information on all of the School District's assets, liabilities, and deferred outflows and inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

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.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2015 and 2014:

	<u>FY2015</u>	<u>FY2014</u>
Assets:		
Current and other assets	\$ 10,631,245	10,784,833
Capital assets, net	<u>23,184,594</u>	<u>24,042,080</u>
Total assets	<u>33,815,839</u>	<u>34,826,913</u>
Deferred outflows of resources	<u>656,397</u>	<u>565,263</u>
Liabilities:		
Long-term liabilities:		
Net pension liability	8,965,111	10,650,652
Other long-term liabilities	11,049,308	11,535,572
Other liabilities	<u>1,184,386</u>	<u>889,282</u>
Total liabilities	<u>21,198,805</u>	<u>23,075,506</u>
Deferred inflows of resources	<u>4,937,040</u>	<u>3,356,274</u>
Net position:		
Net investment in capital assets	13,028,752	13,430,332
Restricted:		
For capital purposes	924,039	1,406,284
Other purposes	384,032	534,044
Debt service	384,796	423,201
Unrestricted (deficit)	<u>(6,385,228)</u>	<u>(6,833,465)</u>
Total net position	<u>\$ 8,336,391</u>	<u>8,960,396</u>

During 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$19,045,785 to \$8,960,396.

A significant portion of the School District's net position (\$13.0 million) 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. Primarily as a result of implementing GASB 68, the School District's unrestricted net position ended the fiscal year with a deficit balance of \$6.3 million.

Total assets decreased about \$1.0 million during fiscal year 2015. Capital assets decreased \$857,000 due to depreciation expense exceeding capital additions. The slight decline in current and other assets was primarily attributable to a timing difference in intergovernmental receivables, where the School District received an early payment in lieu of taxes during fiscal year 2015 of \$215,500, reported as unearned revenue.

Total liabilities, other than net pension liability, decreased by approximately \$191,000, as the School District continued to make its schedule debt service payments, minimized by the aforementioned recognition of unearned revenue. The decrease in net pension liability of \$1.7 million was due to State-legislated pension system reforms, such as phased in increases in employee contribution rates and changes in age and service requirements for retirement, that are being implemented over the next several years

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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B. Governmental Activities during fiscal year 2015

The following table presents a condensed summary of the School District's activities during fiscal year 2015 and 2014 and the resulting change in net position:

	<u>FY2015</u>	<u>FY2014</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 358,577	\$ 322,845
Operating grants and contributions	<u>539,161</u>	<u>547,596</u>
Total program revenues	<u>897,738</u>	<u>870,441</u>
General revenues:		
Property and income taxes	3,761,805	3,739,613
Grants and entitlements	4,644,565	4,608,244
Payment in lieu of taxes	439,571	424,366
Investment earnings	1,621	1,067
Miscellaneous	<u>158,414</u>	<u>118,388</u>
Total general revenues	<u>9,005,976</u>	<u>8,891,678</u>
Total revenues	<u>9,903,714</u>	<u>9,762,119</u>
Expenses:		
Instruction	5,873,965	5,862,503
Support services:		
Pupil	492,643	546,954
Instructional staff	445,048	443,758
Board of Education	158,089	135,381
Administration	513,483	515,998
Fiscal	316,536	329,448
Operation and maintenance of plant	1,451,849	1,135,170
Pupil transportation	229,586	322,851
Extracurricular activities	309,444	273,645
Interest and fiscal charges	422,245	423,406
Food services	<u>314,831</u>	<u>298,132</u>
Total expenses	<u>10,527,719</u>	<u>10,287,246</u>
Change in net position	(624,005)	(525,127)
Beginning net position	8,960,396	19,570,912
Restatement to implement GASB Statement No. 68	<u>-</u>	<u>(10,085,389)</u>
Ending net position	<u>\$ 8,336,391</u>	<u>\$ 8,960,396</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$565,263 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred outflows and inflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$413,934. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 10,527,719
Pension expense under GASB 68	(413,934)
2015 contractually required contributions	<u>572,056</u>
Adjusted 2015 program expenses	10,685,841
Total 2014 program expenses under GASB 27	<u>10,287,246</u>
Increase in program expenses not related to pension	<u>\$ 398,595</u>

Of the total governmental activities revenues of \$9,903,714, 9% (\$897,738) 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, \$3,761,805 (42%) comes from property and income taxes and \$4,644,565 (52%) 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 revenue remained relatively stable, increasing by only 1.5% during the fiscal year. Expenses, as indicated above, increased by approximately \$399,000. During the fiscal year, the School District returned \$449,548 in unused state funds back to the Ohio School Facilities Commission (OSFC) that were initially provided to assist in financing various School District facility improvements under the OSFC construction program.

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 9% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$5,873,965 but program revenue contributed to fund 8% of those costs. Thus, general revenues of \$5,407,235 were needed to support of remainder of the instruction costs.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited**

Governmental Activities

		<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$	5,873,965	466,730	8%	5,407,235
Support services		3,607,234	67,404	2%	3,539,830
Non-instructional services		624,275	363,604	58%	260,671
Interest and fiscal charges		<u>422,245</u>	<u>-</u>	0%	<u>422,245</u>
Total	\$	<u>10,527,719</u>	<u>897,738</u>	<u>9%</u>	<u>9,629,981</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of these two funds comprise \$9,114,236 (86%) of the total \$10,633,569 governmental funds' assets.

General Fund. Fund balance at June 30, 2015 was \$4,065,727, with an unassigned fund balance of \$3,523,492. The fund balance increased by \$232,847. The unassigned fund balance represents approximately 44% of current-year general fund expenditures.

The School District experienced a modest increase in total revenue of approximately 1.9%, while total expenditures increased 3.7%. The increases in instruction expenditures were due to new positions for special education and curriculum changes implemented by the new superintendent.

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.

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. While there were no revisions made between its original and final revenue budgets, the actual revenue came in 4% higher than budgeted, primarily due to a receipt of an early payment of revenue in lieu of taxes. The final expenditures budget was increased by 3.8% to account for curriculum changes implemented by the new superintendent, while actual expenditures were under budget by 8% due to conservative budgeting.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2015, the School District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The decrease in the net capital assets was due to depreciation expense exceeding capital asset additions. See Note 7 to the basic financial statements for more detail.

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

		<u>FY2015</u>	<u>FY2014</u>
Land	\$	1,070,024	1,070,024
Land improvements		685,352	747,711
Buildings and improvements		20,338,102	21,071,599
Equipment and furniture		881,771	998,886
Vehicles		115,350	32,355
Library books and materials		<u>93,995</u>	<u>121,505</u>
Total	\$	<u>23,184,594</u>	<u>24,042,080</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, 2015, the School District's obligations for these bonds was \$9,810,747, which are payable over the next twenty-three 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 May 2015, the School District's voters passed a 5-year 1% earned income tax renewal levy which is effective through November 2022. The School District received approximately \$923,000 (cash basis) in fiscal year 2015.

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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 was renewed as a Continuing Levy in May 2013. 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 2017 or gain new revenue in other ways or by making additional cuts. Finally, the School District passed a \$157,000 Ten-Year Renewal Emergency Levy in May 2011, which is effective through calendar year 2021.

On May 5, 2010, the voters passed a 7.57 mill bond issue for the purpose of building a new middle school/high school, renovating Powell Elementary, and assisted with the building of an athletic field house. 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. Additionally, the NB Sports Boosters helped with a portion of the cost of the athletic field house with its fundraising activities. Powell Elementary renovations were completed before the start of 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. The new athletic field house, the Larry Woodruff Memorial Field House, was opened in November 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, OHIO
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 6,462,052
Receivables:	
Taxes	3,900,838
Intergovernmental	262,860
Supplies inventory	5,495
Nondepreciable capital assets	1,070,024
Depreciable capital assets, net	<u>22,114,570</u>
Total assets	<u>33,815,839</u>
Deferred Outflows of Resources:	
Pensions	<u>656,397</u>
Liabilities:	
Accounts payable	145,602
Accrued wages and benefits	628,483
Intergovernmental payable	96,972
Accrued interest payable	97,829
Unearned revenue	215,500
Noncurrent liabilities:	
Due within one year	537,208
Due more than one year:	
Net pension liability	8,965,111
Other amounts due more than one year	<u>10,512,100</u>
Total liabilities	<u>21,198,805</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	3,099,352
Payment in lieu of taxes for next fiscal year	219,135
Pensions	<u>1,618,553</u>
Total deferred inflows of resources	<u>4,937,040</u>
Net Position:	
Net investment in capital assets	13,028,752
Restricted for:	
Capital projects	924,039
Other purposes	384,032
Debt service	384,796
Unrestricted (deficit)	<u>(6,385,228)</u>
Total net position	<u>\$ 8,336,391</u>

See accompanying notes.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Statement of Activities

Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,623,834	\$ 182,160	\$ -	\$ (3,441,674)
Special education	1,475,365	-	237,960	(1,237,405)
Other	774,766	-	46,610	(728,156)
Support services:				
Pupil	492,643	-	6,734	(485,909)
Instructional staff	445,048	-	40,209	(404,839)
Board of Education	158,089	-	-	(158,089)
Administration	513,483	-	-	(513,483)
Fiscal	316,536	-	-	(316,536)
Operation and maintenance of plant	1,451,849	-	20,461	(1,431,388)
Pupil transportation	229,586	-	-	(229,586)
Non-instructional services:				
Extracurricular activities	309,444	72,245	-	(237,199)
Food service	314,831	104,172	187,187	(23,472)
Interest and fiscal charges	422,245	-	-	(422,245)
Total Governmental Activities	\$ 10,527,719	\$ 358,577	\$ 539,161	(9,629,981)

General Revenues:

Property taxes, levied for general purposes	2,254,700
Property taxes, levied for debt services	524,520
Property taxes, levied for capital projects	54,292
Income taxes	928,293
Grants and entitlements not restricted to specific programs	4,644,565
Payment in lieu of taxes	439,571
Investment earnings	1,621
Miscellaneous	158,414
Total general revenues	9,005,976
Change in net position	(624,005)
Net position beginning of year, <i>restated</i>	8,960,396
Net position end of year	\$ 8,336,391

See accompanying notes.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,534,542	\$ 562,329	\$ 1,365,181	\$ 6,462,052
Receivables:				
Taxes	3,067,197	728,709	104,932	3,900,838
Intergovernmental	219,135	-	43,725	262,860
Materials and supplies inventory	-	-	5,495	5,495
Interfund receivable	2,324	-	-	2,324
Total assets	<u>\$ 7,823,198</u>	<u>\$ 1,291,038</u>	<u>\$ 1,519,333</u>	<u>\$ 10,633,569</u>
Liabilities:				
Accounts payable	\$ 60,898	\$ -	\$ 84,704	\$ 145,602
Accrued wages and benefits	586,995	-	41,488	628,483
Intergovernmental payable	94,323	-	2,649	96,972
Interfund payable	-	-	2,324	2,324
Compensated absences payable	70,113	-	-	70,113
Unearned revenue	215,500	-	-	215,500
Total liabilities	<u>1,027,829</u>	<u>-</u>	<u>131,165</u>	<u>1,158,994</u>
Deferred Inflows of Resources:				
Taxes levied for next fiscal year	2,430,605	578,684	90,063	3,099,352
Payment in lieu of taxes for next fiscal year	219,135	-	-	219,135
Unavailable revenue	79,902	19,956	16,582	116,440
Total deferred inflows of resources	<u>2,729,642</u>	<u>598,640</u>	<u>106,645</u>	<u>3,434,927</u>
Fund Balances:				
Nonspendable	-	-	5,495	5,495
Restricted	-	692,398	1,285,994	1,978,392
Assigned	542,235	-	-	542,235
Unassigned (Deficit)	3,523,492	-	(9,966)	3,513,526
Total fund balances	<u>4,065,727</u>	<u>692,398</u>	<u>1,281,523</u>	<u>6,039,648</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,823,198</u>	<u>\$ 1,291,038</u>	<u>\$ 1,519,333</u>	<u>\$ 10,633,569</u>

See accompanying notes.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances \$ 6,039,648

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

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. 23,184,594

Other long-term assets are not available to pay for current-period expenditures
and therefore are deferred in the funds. 116,440

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the funds:

Bonds payable	10,102,098	
Premium on bond issue	345,095	
Accrued interest payable	97,829	
Compensated absences	<u>532,002</u>	
Total		<u>(11,077,024)</u>

The net pension liability is not due and payable in the current period therefore,
the liability and related deferred outflows and inflows of resources are not
reported in the governmental funds:

Deferred outflows - pensions	656,397	
Deferred inflows - pension	(1,618,553)	
Net pension liability	<u>(8,965,111)</u>	
Total		<u>(9,927,267)</u>

Net Position of Governmental Activities \$ 8,336,391

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,021,496	\$ 697,175	\$ 121,076	\$ 3,839,747
Tuition and fees	182,160	-	-	182,160
Interest	1,471	-	150	1,621
Charges for services	-	-	104,172	104,172
Extracurricular activities	-	-	72,245	72,245
Intergovernmental	4,513,434	105,784	661,275	5,280,493
Payment in lieu of taxes	439,571	-	-	439,571
Contributions and donations	5,192	-	1,910	7,102
Other local revenues	85,846	-	109,905	195,751
Total revenues	<u>8,249,170</u>	<u>802,959</u>	<u>1,070,733</u>	<u>10,122,862</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,951,270	-	12,112	2,963,382
Special education	1,244,607	-	244,167	1,488,774
Other instruction	720,137	-	49,627	769,764
Support services:				
Pupil	506,319	-	7,203	513,522
Instructional staff	227,305	-	42,900	270,205
Board of Education	158,472	-	-	158,472
Administration	515,126	-	-	515,126
Fiscal	304,664	9,886	1,218	315,768
Operation and maintenance of plant	833,487	-	169,664	1,003,151
Pupil transportation	318,635	-	-	318,635
Non-instructional services:				
Extracurricular activities	231,894	-	77,618	309,512
Community service	-	-	3,636	3,636
Food service	-	-	300,640	300,640
Capital outlay	-	-	614,705	614,705
Debt Service:				
Principal	-	433,933	-	433,933
Interest and fiscal charges	-	380,440	-	380,440
Total expenditures	<u>8,011,916</u>	<u>824,259</u>	<u>1,523,490</u>	<u>10,359,665</u>
Excess of revenues over/ (under) expenditures	<u>237,254</u>	<u>(21,300)</u>	<u>(452,757)</u>	<u>(236,803)</u>
Other financing sources (uses):				
Transfers in	-	-	354,052	354,052
Transfers out	(4,407)	-	(349,645)	(354,052)
Total other financing sources (uses):	<u>(4,407)</u>	<u>-</u>	<u>4,407</u>	<u>-</u>
Net change in fund balance	232,847	(21,300)	(448,350)	(236,803)
Fund balance, beginning of year	3,832,880	713,698	1,729,873	6,276,451
Fund balance, end of year	<u>\$ 4,065,727</u>	<u>\$ 692,398</u>	<u>\$ 1,281,523</u>	<u>\$ 6,039,648</u>

See accompanying notes.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (236,803)

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 asset additions	220,961	
Depreciation expense	<u>(1,078,447)</u>	(857,486)

Revenues in the statement of activities that do not provide current financial
current financial resources are not reported as revenues in the funds. (174,709)

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. 94,743

Principal paid on long-term debt is recorded as an expenditure on the fund
financial statements and recorded as a reduction of the long-term liability in
the government-wide statements. Premium amortization is not recorded on the
fund financial statements, but is recorded as a reduction of the long-term debt
in the government-wide financial statements. 455,906

In the statement of activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due. (2,156)

Net accretion on capital appreciation bonds is recorded each year as interest
in the statement of activities. (61,622)

Contractually required contributions are reported as expenditures in governmental
funds; however, the statement of activities report these amounts as deferred
outflows. 572,056

Except for amounts reported as deferred outflows or inflows of resources, changes
in the net pension liability are reported as pension expense in the statement of
activities. (413,934)

Change in Net Position of Governmental Activities \$ (624,005)

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	\$ <u>39,280</u>
Total assets	<u>39,280</u>
LIABILITIES	
Due to student groups	<u>39,280</u>
Total liabilities	\$ <u>39,280</u>

See accompanying notes.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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 Ratings 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.

Basis of Presentation

Government-wide Financial Statements. The statement of net position 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of Presentation – *continued*

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, current liabilities and deferred inflows of resources 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, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fund Accounting – *continued*

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, liabilities and deferred inflows of resources 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.

Fiduciary Funds report on net position and changes in net position. 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.

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of Accounting – *continued*

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 and income taxes, grants, entitlements and donations. On an accrual basis, revenue from property and income 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 Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, and pensions. Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2015, but are intended to finance 2016 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pensions are reported on the government-wide statement of net position (see Note 8).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension (see Note 8).

Cash and Investments

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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Cash and Investments – *continued*

During fiscal year 2015, 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, 2015, 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, 2015.

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 \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Land improvements	10 - 20 years
Building and improvements	20 - 40 years
Equipment and furniture	5 - 20 years
Vehicles	8 years
Library books and materials	7 years

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 net position. Interfund transfers are reported as other financing sources/uses in the governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 position is 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 School 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.

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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

3. DEPOSITS AND INVESTMENTS – *continued*

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.

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*.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

3. DEPOSITS AND INVESTMENTS – *continued*

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At fiscal year-end, none of the School District's bank balance of \$5,107,372 was exposed to custodial credit risk since it was collateralized with pooled securities held by the pledging financial institution's trust department in the School District's name. ORC Chapter 135 authorizes pledging of pooled securities in lieu of specific securities.

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. The fair value of the School District's investment in STAROhio is \$1,575,712 at June 30, 2015.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk. STAROhio were rated AAAM by Standard & Poor's. STAROhio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The School District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. All of the School District's investments were in STAROhio.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015

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.

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014 on the assessed values listed as of the prior January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015 are available to finance fiscal year 2015 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, 2015 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 inflows of resources for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2015 were \$339,337 in the General Fund, \$75,731 in the Debt Service Fund, and \$13,865 in Other Governmental Funds.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

4. PROPERTY TAXES – *continued*

The assessed values upon which fiscal year 2015 taxes were collected are:

	<u>2014 Second- Half Collections</u>		<u>2015 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 78,154,980	93.63%	\$ 79,507,660	93.03%
Public Utility	5,318,180	6.37%	5,958,540	6.97%
Total Assessed Value	<u>\$ 83,473,160</u>	100.00%	<u>\$ 85,466,200</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$56.95		\$58.35	

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 a 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, 2015, the School District recorded income tax revenue of \$928,293 in the entity-wide financials and a receivable as of June 30, 2015 of \$339,968.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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 ensures 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, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/14	Additions	Disposals	Balance 6/30/15
Governmental Activities				
Nondepreciable:				
Land	\$ 1,070,024	\$ -	\$ -	\$ 1,070,024
Depreciable:				
Land improvements	1,141,006	-	-	1,141,006
Buildings and improvements	25,561,503	-	-	25,561,503
Vehicles	419,785	95,308	(60,215)	454,878
Equipment and furniture	1,892,333	125,653	-	2,017,986
Library books and materials	765,895	-	-	765,895
Subtotal	<u>29,780,522</u>	<u>220,961</u>	<u>(60,215)</u>	<u>29,941,268</u>
Totals at historical cost	<u>30,850,546</u>	<u>220,961</u>	<u>(60,215)</u>	<u>31,011,292</u>
Less accumulated depreciation:				
Land improvements	393,295	62,359	-	455,654
Buildings and improvements	4,489,904	733,497	-	5,223,401
Vehicles	387,430	12,313	(60,215)	339,528
Equipment and furniture	893,447	242,768	-	1,136,215
Library books and materials	644,390	27,510	-	671,900
Total accumulated depreciation	<u>6,808,466</u>	<u>1,078,447</u>	<u>(60,215)</u>	<u>7,826,698</u>
Capital assets, net	<u>\$ 24,042,080</u>	<u>\$ (857,486)</u>	<u>\$ -</u>	<u>\$ 23,184,594</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 842,048
Support services:	
Instructional staff	179,900
Administration	7,715
Operation and maintenance of plant	13,553
Pupil transportation	12,313
Extracurricular activities	14,191
Food service	8,727
Total depreciation expense	<u>\$ 1,078,447</u>

8. PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

8. PENSION PLANS – *continued*

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – 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 by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015 the allocation to pension, death benefits, and Medicare B was 13.18%. The remaining 0.82% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$165,616 for fiscal year 2015. Of this amount, \$29,688 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

8. PENSION PLANS – *continued*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

8. PENSION PLANS – continued

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$406,440 for fiscal year 2015. Of this amount, \$67,284 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,763,233	\$7,201,878	\$8,965,111
Proportion of the Net Pension Liability	0.034840%	0.02960877%	
Pension Expense	\$98,352	\$315,582	\$413,934

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 15,007	\$ 69,334	\$ 84,341
School District's contributions subsequent of the measurement date	<u>165,616</u>	<u>406,440</u>	<u>572,056</u>
Total Deferred Outflows of Resources	<u>\$ 180,623</u>	<u>\$ 475,774</u>	<u>\$ 656,397</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 286,178</u>	<u>\$ 1,332,375</u>	<u>\$ 1,618,553</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

8. PENSION PLANS – *continued*

\$572,056 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	\$ (67,755)	\$ (315,760)	\$ (383,515)
2017	(67,755)	(315,760)	(383,515)
2018	(67,755)	(315,760)	(383,515)
2019	(67,906)	(315,761)	(383,667)
	<u>\$ (271,171)</u>	<u>\$ (1,263,041)</u>	<u>\$ (1,534,212)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25%
Future Salary Increases, including Inflation	4.00% to 22.00%
COLA or Ad Hoc COLA	3%
Investment Rate of Return	7.75% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

8. PENSION PLANS – continued

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stock	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate – Total pension liability was calculated using the discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%), or one percentage point higher (8.75%) than the current rate.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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8. PENSION PLANS – *continued*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,515,609	\$1,763,233	\$1,130,419

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases	2.75% at age 70 to 12.25% at age 20
Investment Rate of Return	7.75% net of investment expenses
COLA	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
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8. PENSION PLANS – *continued*

Discount Rate – The discount rate used to measure the total pension liability was 7.75% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$10,310,273	\$7,201,878	\$4,573,221

9. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

9. POSTEMPLOYMENT BENEFITS – *continued*

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$19,176.

The School District's contributions for health care for the fiscal years June 30, 2015, 2014 and 2013 were \$10,000, \$1,000 and \$5,000, respectively. For fiscal year 2015, 82% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$31,000, and \$31,000, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 7/1/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<i>Governmental Activities:</i>					
2009 Classroom Facilities Improvement Bonds:					
General obligation bonds	\$ 1,705,000	\$ -	\$ (105,000)	\$ 1,600,000	\$ 115,000
Capital appreciation bonds	14,001	-	(2,649)	11,352	3,034
Accretion on CAB's	46,656	20,239	(7,351)	59,544	-
2009A School Facilities Improvement Bonds:					
General obligation bonds	7,090,000	-	(200,000)	6,890,000	205,000
Capital appreciation bonds	41,107	-	(11,284)	29,823	8,966
Accretion on CAB's	114,420	48,750	(23,716)	139,454	-
2009B School Facilities Improvement Bonds:					
General obligation bonds	1,335,000	-	(115,000)	1,220,000	120,000
Capital appreciation bonds	59,572	-	-	59,572	-
Accretion on CAB's	68,653	23,700	-	92,353	-
Premium on bond issues	367,068	-	(21,973)	345,095	-
Compensated absences	694,095	97,635	(189,615)	602,115	85,208
Net pension liability:					
STRS	8,578,829	-	(1,376,951)	7,201,878	-
SERS	2,071,823	-	(308,590)	1,763,233	-
Total	<u>\$22,186,224</u>	<u>\$ 190,324</u>	<u>\$ (2,362,129)</u>	<u>\$20,014,419</u>	<u>\$ 537,208</u>

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 were undertaken in cooperation with the Ohio School Facilities Commission (OSFC) under the State of Ohio Classroom Facilities Assistance Program, where the OSFC 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

11. LONG-TERM OBLIGATIONS – *continued*

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, with the General Fund being the most significant fund.

Principal and interest requirements to retire general obligation bonds, inclusive of interest accretion on capital appreciation bonds in the interest column, at June 30, 2015 are:

Fiscal Year Ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	452,000	379,907	831,907
2017		459,441	374,369	833,810
2018		384,734	462,426	847,160
2019		383,114	464,051	847,165
2020		484,605	360,226	844,831
2021-2025		2,906,853	1,428,161	4,335,014
2026-2030		1,620,000	998,827	2,618,827
2031-2035		1,805,000	575,631	2,380,631
2036-2038		<u>1,315,000</u>	<u>100,375</u>	<u>1,415,375</u>
Total	\$	<u>9,810,747</u>	<u>5,143,973</u>	<u>14,954,720</u>

The School District has been designated as an “approved special needs school district” by the Ohio Superintendent of Public Instruction. As a result, any portion of the otherwise non-exempt debt authorized by the School District’s voters at an election on May 5, 2009 in excess of the 9% limitation is exempted from that limitation pursuant to Ohio Revised Code Section 133.06(D)(2).

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Inventory	\$ -	\$ -	\$ 5,495	\$ 5,495
<i>Restricted for</i>				
Food Service Operations	-	-	51,347	51,347
Local Grant Programs	-	-	68,723	68,723
Classroom Maintenance	-	-	222,461	222,461
Athletics	-	-	20,428	20,428
Debt Service Payments	-	692,398	-	692,398
Capital Improvements	-	-	923,035	923,035
<i>Total Restricted</i>	-	692,398	1,285,994	1,978,392
<i>Assigned to</i>				
Public School Support	20,973	-	-	20,973
Budget Resource	441,922	-	-	441,922
Encumbrances	79,340	-	-	79,340
<i>Total Assigned</i>	542,235	-	-	542,235
<i>Unassigned (Deficit)</i>	<u>3,523,492</u>	<u>-</u>	<u>(9,966)</u>	<u>3,513,526</u>
<i>Total Fund Balance</i>	<u>\$4,065,727</u>	<u>\$692,398</u>	<u>\$ 1,281,523</u>	<u>\$ 6,039,648</u>

At June 30, 2015, the following funds had a deficit fund balance:

Title I	\$ 8,103
Improving Teacher Quality	1,863

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

13. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2015 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 2,324	\$ -	\$ -	\$ 4,407
Other Governmental Funds	-	2,324	354,052	349,645
	<u>\$ 2,324</u>	<u>\$ 2,324</u>	<u>\$ 354,052</u>	<u>\$ 354,052</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, or (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. To close out the nonmajor capital projects OSFC Project Fund, \$349,645 was transferred to the nonmajor capital projects Building Fund.

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
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

14. JOINTLY GOVERNED ORGANIZATIONS – *continued*

Ohio Schools Council (OSC)

OSC is a consortium of 199 school districts, educational service centers, joint vocational districts and Development Disabilities boards in 34 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, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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, 2015, if applicable, cannot be determined at this time.

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

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, 2015 were:

General Fund	\$	116,898
Other Governmental Funds		<u>146,054</u>
	\$	<u>262,952</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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. 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>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2014	\$	-
Current year set-aside requirement		115,961
Current year offsets		<u>(115,961)</u>
Total	\$	<u>-</u>
Set-aside reserve balance as of June 30, 2015	\$	<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.

18. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The implementation of these pronouncements had the following effect on net position as reported at June 30, 2014:

		<u>Governmental Activities</u>
Net Position at June 30, 2014	\$	19,045,785
Adjustments:		
Net pension liability		(10,650,652)
Deferred outflow - payments subsequent to measurement date		<u>565,263</u>
Restated Net Position at June 30, 2014	\$	<u>8,960,396</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

General Fund

Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 2,970,129	2,970,129	3,036,332	66,203
Tuition and fees	206,425	206,425	173,845	(32,580)
Interest	256	256	1,471	1,215
Intergovernmental	4,486,712	4,486,712	4,513,434	26,722
Payment in lieu of taxes	403,675	403,675	655,071	251,396
Other local revenues	45,025	45,025	37,282	(7,743)
Total revenues	<u>8,112,222</u>	<u>8,112,222</u>	<u>8,417,435</u>	<u>305,213</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,448,145	3,267,359	3,028,035	239,324
Special education	1,235,703	1,331,253	1,228,522	102,731
Other instruction	601,174	728,174	714,655	13,519
Support services:				
Pupil	525,185	574,583	506,070	68,513
Instructional staff	217,750	251,849	221,532	30,317
Board of Education	168,607	189,507	179,944	9,563
Administration	499,788	577,488	512,781	64,707
Fiscal	326,863	370,713	309,625	61,088
Operation and maintenance of plant	876,098	948,413	877,732	70,681
Pupil transportation	393,754	351,076	321,057	30,019
Non-instructional services:				
Extracurricular activities	177,188	205,838	186,497	19,341
Total expenditures	<u>8,470,255</u>	<u>8,796,253</u>	<u>8,086,450</u>	<u>709,803</u>
Excess of revenues over (under) expenditures	(358,033)	(684,031)	330,985	1,015,016
Other financing sources (uses):				
Transfers in	20,000	20,000	34,103	14,103
Transfers out	(150,000)	(40,000)	(38,510)	1,490
Other sources	30,000	30,000	24,938	5,062
Total other financing sources (uses):	<u>(100,000)</u>	<u>10,000</u>	<u>20,531</u>	<u>20,655</u>
Net change in fund balance	(458,033)	(674,031)	351,516	1,035,671
Fund balance, beginning of year	3,886,174	3,886,174	3,886,174	
Prior year encumbrances appropriated	161,154	161,154	161,154	
Fund balance, end of year	\$ <u>3,589,295</u>	<u>3,373,297</u>	<u>4,398,844</u>	

See accompanying notes to required supplementary information and accountant's report.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Notes to Required Supplementary Information

Fiscal Year Ended June 30, 2015

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	\$	232,847
Increase / (decrease):		
Due to inclusion of Public School Support Fund		6,978
Due to revenues		161,287
Due to expenditures		42,364
Due to other sources (uses)		24,938
Due to encumbrances		<u>(116,898)</u>
Net change in fund balance - Budget Basis	\$	<u>351,516</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.034840%	0.034840%
School District's Proportionate Share of the Net Pension Liability	\$1,763,233	\$2,071,823
School District's Covered-Employee Payroll	\$ 1,022,619	\$ 988,259
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.42%	209.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.02960877%	0.02960877%
School District's Proportionate Share of the Net Pension Liability	\$7,201,878	\$8,578,829
School District's Covered-Employee Payroll	\$ 3,257,908	\$ 3,286,431
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	261.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 165,616	\$ 141,735	\$ 136,775
Contributions in Relation to the Contractually Required Contributions	<u>\$ (165,616)</u>	<u>\$ (141,735)</u>	<u>\$ (136,775)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 1,256,571	\$ 1,022,619	\$ 988,259
Contributions as a Percentage of Covered- Employee Payroll	13.18%	13.86%	13.84%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 406,440	\$ 423,528	\$ 427,236
Contributions in Relation to the Contractually Required Contributions	<u>\$ (406,440)</u>	<u>\$ (423,528)</u>	<u>\$ (427,236)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 2,903,143	\$ 3,257,908	\$ 3,286,431
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.



Balestra, Harr & Scherer, CPAs, Inc.

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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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Local School District, Brown County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of the Board of Education
North Baltimore Local School District
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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
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Compliance and Other Matters

As part of reasonably assuring whether the School 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 16, 2016



Dave Yost • Auditor of State

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 28, 2017**