



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2018 and 2017
Fiscal Year Audited Under GAGAS: 2018 and 2017

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OHIO AUDITOR OF STATE KEITH FABER



Board of Education
North Baltimore Local School District
201 South Main Street
North Baltimore, Ohio 45872-1364

We have reviewed the *Independent Auditor's Report* of the North Baltimore Local School District, Wood County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2016 through June 30, 2018. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 13, 2019

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INDEPENDENT AUDITOR'S REPORT

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

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 District), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the 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 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 District's internal control. Accordingly, we express no such 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, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. 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*, required budgetary comparison schedule for the general fund, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 20, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.



BHM CPA Group
Piketon, Ohio
December 20, 2018

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited**

This discussion and analysis provides key information from management highlighting the overall financial performance of the North Baltimore Local School District for the fiscal year ended June 30, 2018. 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 2018 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 \$9,198,013. In total, net position increased by \$4,060,613.
- ✓ The School District had \$6,568,047 in expenses related to governmental activities; only \$1,060,535 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$9,568,125, made up primarily of property and income taxes, and State Foundation payments, provided the majority of funding for these programs.
- ✓ The General Fund balance decreased by \$202,852 from \$4,255,940 at June 30, 2017 to \$4,053,088 at June 30, 2018.

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 fiscal year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2018 and 2017:

	FY2018	<i>Restated</i> FY2017
Assets:		
Current and other assets	\$ 10,842,768	10,121,328
Capital assets, net	<u>21,537,952</u>	<u>22,325,780</u>
Total assets	<u>32,380,720</u>	<u>32,447,108</u>
Deferred outflows of resources	<u>3,799,859</u>	<u>3,299,348</u>
Liabilities:		
Long-term liabilities:		
Net pension liability	9,476,923	12,738,400
Net OPEB liability	2,199,416	2,653,731
Other long-term liabilities	10,120,814	10,819,745
Other liabilities	<u>905,628</u>	<u>1,066,508</u>
Total liabilities	<u>22,702,781</u>	<u>27,278,384</u>
Deferred inflows of resources	<u>4,279,785</u>	<u>3,330,672</u>
Net position:		
Net investment in capital assets	12,671,650	12,886,932
Restricted:		
For capital purposes	400,909	278,096
Other purposes	210,159	733,471
Debt service	658,974	372,680
Unrestricted (deficit)	<u>(4,743,679)</u>	<u>(9,133,779)</u>
Total net position	<u>\$ 9,198,013</u>	<u>5,137,400</u>

The net pension liability is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. For fiscal year 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB liability equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement systems are responsible for the administration of the pension and OPEB plans.

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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 or net OPEB liabilities. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 payments, State statute does not assign/identify the responsible part for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement Nos. 68 and 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$7,771,700 to \$5,137,400.

A significant portion of the School District's net position of \$12,671,650 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. An additional portion of the School District's net position of \$1,270,042 represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position (deficit) at June 30, 2018 was (\$4,743,679). However, if the components of recording the net pension and OPEB liabilities are removed from the Statement of Net Position, the School District's unrestricted net position would be a positive \$4,290,281. We feel this is important to mention as the management of the School District has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension and OPEB liabilities that significantly impact the School District's financial statements.

Total assets decreased about \$66,000, or less than 1%, during fiscal year 2018. The increase in current and other assets is primarily related to increases in taxes receivable, due to a recent reappraisal by the Wood County Auditor. This increase was offset by a decrease in capital assets, as depreciation expense exceeded current year additions.

Total liabilities decreased by approximately \$4.6 million, or 17%. Much of this decrease occurred in the School District's share of net pension and OPEB liabilities, with the state-wide retirement systems realizing better than projected investment earnings and changes in actuarial assumptions. Other long-term liabilities also decreased with the School District making its required debt service payments.

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B. Governmental Activities during fiscal year 2018

The following table presents a condensed summary of the School District's activities during fiscal year 2018 and 2017 and the resulting change in net position:

	<u>FY2018</u>	<u>FY2017</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 511,910	\$ 380,100
Operating grants and contributions	<u>548,625</u>	<u>567,052</u>
Total program revenues	<u>1,060,535</u>	<u>947,152</u>
General revenues:		
Property and income taxes	4,408,231	4,359,797
Grants and entitlements	4,553,404	4,741,769
Payment in lieu of taxes	497,413	620,246
Investment earnings	25,432	14,185
Miscellaneous	<u>83,645</u>	<u>203,465</u>
Total general revenues	<u>9,568,125</u>	<u>9,939,462</u>
Total revenues	<u>10,628,660</u>	<u>10,886,614</u>
Expenses:		
Instruction	3,280,503	6,477,321
Support services:		
Pupil	361,101	542,376
Instructional staff	105,647	344,160
Board of Education	108,005	101,464
Administration	329,373	739,779
Fiscal	159,073	424,948
Operation and maintenance of plant	1,070,040	1,173,644
Pupil transportation	274,446	318,901
Extracurricular activities	264,134	378,455
Interest and fiscal charges	289,716	460,739
Food services	<u>326,009</u>	<u>351,225</u>
Total expenses	<u>6,568,047</u>	<u>11,313,012</u>
Change in net position	4,060,613	(426,398)
Beginning net position	<u>5,137,400</u>	<u>N/A</u>
Ending net position	<u>\$ 9,198,013</u>	<u>\$ 5,137,400</u>

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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$19,431 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows and outflows of resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report negative OPEB expense of \$293,721. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 6,568,047
Negative OPEB expense under GASB 75	293,721
2018 contractually required contributions	<u>24,144</u>
Adjusted 2018 program expenses	6,885,912
Total 2017 program expenses under GASB 45	<u>11,313,012</u>
Decrease in program expenses not related to OPEB	<u>\$ (4,427,100)</u>

Of the total governmental activities revenues of \$10,628,660, \$1,060,535 (10%) 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, 46% (\$4,408,231) comes from property and income taxes and 48% (\$4,553,404) is from state funding. The School District's operations are reliant upon its property and income taxes and the state's foundation program.

The School District's total revenue decreased by about \$258,000, or 2.4%, during the fiscal year. The decreases were attributable to: lower grants and entitlements, as deductions from state funding increased; lower payments in lieu of taxes, due to timing; and lower miscellaneous revenue, due to one-time refunds received in fiscal year 2017.

Total expenses, after factoring out OPEB adjustments above, decreased \$4.4 million, or 39.1%, from the prior fiscal year. Much of this decrease is related to change in pension expense, recognizing \$1.1 million in pension expense in fiscal year 2017 and *negative* pension expense of \$2.8 million in fiscal year 2018. A majority of this is due to changes in actuarial assumptions, including lowering the discount rate.

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 16% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$3,280,503 but program revenue contributed to fund 20% of those costs. Thus, general revenues of \$2,629,742 were needed to support of remainder of the instruction costs.

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	Governmental Activities		Revenues	Net Cost of Services
	Total Cost of Services	Program Revenue	as a % of Total Costs	
Instruction	\$ 3,280,503	650,761	20%	2,629,742
Support services	2,407,685	54,315	2%	2,353,370
Non-instructional services	590,143	355,459	60%	234,684
Interest and fiscal charges	<u>289,716</u>	<u>-</u>	0%	<u>289,716</u>
Total	\$ <u>6,568,047</u>	<u>1,060,535</u>	<u>16%</u>	<u>5,507,512</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Other Grants Fund. Assets of these three funds comprise \$10,243,775 (94%) of the total \$10,896,294 governmental funds' assets.

General Fund. Fund balance at June 30, 2018 was \$4,053,088, with an unassigned fund balance of \$3,749,781. The unassigned fund balance represents approximately 45% of current-year general fund expenditures. The General Fund decreased by \$202,852, or 4.8%, due to payments in lieu of taxes now being accumulated in the Other Grants Fund for athletic facilities improvements.

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.

Other Grants Fund. This fund is used to account for local grants and donations for various projects and events. The fund is also being used to accumulate payments in lieu of taxes to fund track and field improvements expected to start in the Spring of 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. The General Fund budget remained flat during the fiscal year, while actual revenue and expenditures both coming in higher than budgeted. The General Fund absorbed grant-funded costs that were not reimbursed until July 2018.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2018, the School District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The slight 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>FY2018</u>	<u>FY2017</u>
Land	\$ 1,070,024	1,070,024
Land improvements	574,129	631,820
Buildings and improvements	18,140,856	18,873,097
Equipment and furniture	1,620,134	1,588,103
Vehicles	121,344	123,761
Library books and materials	11,465	38,975
Total	<u>\$ 21,537,952</u>	<u>22,325,780</u>

Debt

During the year, the School District made its regularly scheduled payments on its Series 2009 classroom facilities improvement and Series 2016 refunding bonds. As of June 30, 2018, the School District's obligations for its bonds was \$8,454,401, which are payable over the next twenty years.

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

ECONOMIC FACTORS

The area of school finance is always changing, property valuations, the unconstitutional state foundation formula, ADM counts, open-enrollment polices, community and charter schools options. CSX's Northwest Ohio Inter-modal Rail Yard, that was opened in 2010 to create a national gateway connecting the Mid-Atlantic region to the Midwest, has decided to expand its presence. This may impact the local economy with possible future development of warehouse and storage facilities. Rover Pipeline has moved in and completed the construction of "Line 1" through the Wood County area and this will have tremendous effects on district revenues in the future.

In May 2015, the School District's voters passed a 5-year 1% earned income tax renewal levy which is effective through November 2022.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited**

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. Finally, the School District passed a \$157,000 Ten-Year Renewal Emergency Levy in May 2011, which is effective through calendar year 2021. This will be brought back to ballot in the next voting cycle.

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.

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NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 6,293,059
Receivables:	
Taxes	4,112,531
Intergovernmental	415,998
Supplies inventory	9,081
Prepays	12,099
Nondepreciable capital assets	1,070,024
Depreciable capital assets, net	<u>20,467,928</u>
Total assets	<u>32,380,720</u>
Deferred Outflows of Resources:	
Deferred charges	424,356
Pension	3,247,320
OPEB	<u>128,183</u>
Total deferred outflows of resources	<u>3,799,859</u>
Liabilities:	
Accounts payable	39,191
Accrued wages and benefits	708,925
Intergovernmental payable	105,650
Accrued interest payable	51,862
Noncurrent liabilities:	
Due within one year	413,169
Due more than one year:	
Net pension liability	9,476,923
Net OPEB liability	2,199,416
Other amounts due more than one year	<u>9,707,645</u>
Total liabilities	<u>22,702,781</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	3,146,661
Payment in lieu of taxes for next fiscal year	400,000
Pension	487,922
OPEB	<u>245,202</u>
Total deferred inflows of resources	<u>4,279,785</u>
Net Position:	
Net investment in capital assets	12,671,650
Restricted for:	
Capital projects	400,909
Other purposes	210,159
Debt service	658,974
Unrestricted (deficit)	<u>(4,743,679)</u>
Total net position	<u>\$ 9,198,013</u>

See accompanying notes to the basic financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Activities
Fiscal Year Ended June 30, 2018

	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	\$ 1,942,809	\$ 345,272	\$ -	\$ (1,597,537)
Special education	801,131	-	206,219	(594,912)
Other	536,563	-	99,270	(437,293)
Support services:				
Pupil	361,101	-	5,093	(356,008)
Instructional staff	105,647	-	23,932	(81,715)
Board of Education	108,005	-	-	(108,005)
Administration	329,373	-	-	(329,373)
Fiscal	159,073	-	-	(159,073)
Operation and maintenance of plant	1,070,040	-	25,290	(1,044,750)
Pupil transportation	274,446	-	-	(274,446)
Non-instructional services:				
Extracurricular activities	264,134	61,759	-	(202,375)
Food service	326,009	104,879	188,821	(32,309)
Interest and fiscal charges	289,716	-	-	(289,716)
Total Governmental Activities	<u>\$ 6,568,047</u>	<u>\$ 511,910</u>	<u>\$ 548,625</u>	<u>(5,507,512)</u>

General Revenues:

Property taxes, levied for general purposes	2,472,340
Property taxes, levied for debt services	775,831
Property taxes, levied for capital projects	99,302
Income taxes	1,060,758
Grants and entitlements not restricted to specific programs	4,553,404
Payment in lieu of taxes	497,413
Investment earnings	25,432
Miscellaneous	83,645
Total general revenues	<u>9,568,125</u>
Change in net position	4,060,613
Net position beginning of year, <i>restated</i>	<u>5,137,400</u>
Net position end of year	<u>\$ 9,198,013</u>

See accompanying notes to the basic financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
 Balance Sheet
 Governmental Funds
 June 30, 2018

	General	Debt Service	Other Grants	Other Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,153,700	\$ 695,304	\$ 947,597	\$ 496,458
Receivables:				
Taxes	3,027,095	954,454	-	130,982
Intergovernmental	-	-	400,000	15,998
Prepays	12,099	-	-	-
Materials and supplies inventory	-	-	-	9,081
Interfund receivable	53,526	-	-	-
Total assets	<u>\$ 7,246,420</u>	<u>\$ 1,649,758</u>	<u>\$ 1,347,597</u>	<u>\$ 652,519</u>
Liabilities:				
Accounts payable	\$ 18,746	\$ -	\$ 20,445	-
Accrued wages and benefits	687,190	-	-	21,735
Intergovernmental payable	102,732	-	-	2,918
Interfund payable	-	-	-	53,526
Total liabilities	<u>808,668</u>	<u>-</u>	<u>20,445</u>	<u>78,179</u>
Deferred Inflows of Resources:				
Taxes levied for next fiscal year	2,303,140	752,270	-	91,251
Payment in lieu of taxes for next fiscal year	-	-	400,000	-
Unavailable revenue	81,524	17,609	-	21,486
Total deferred inflows of resources	<u>2,384,664</u>	<u>769,879</u>	<u>400,000</u>	<u>112,737</u>
Fund Balances:				
Nonspendable	12,099	-	-	9,081
Restricted	-	879,879	49,800	530,701
Committed	-	-	877,352	-
Assigned	291,208	-	-	-
Unassigned (Deficit)	3,749,781	-	-	(78,179)
Total fund balances	<u>4,053,088</u>	<u>879,879</u>	<u>927,152</u>	<u>461,603</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,246,420</u>	<u>\$ 1,649,758</u>	<u>\$ 1,347,597</u>	<u>\$ 652,519</u>

See accompanying notes to the basic financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

<p>Total Governmental Funds</p> <hr/> <p>\$ 6,293,059</p> <p>4,112,531</p> <p>415,998</p> <p>12,099</p> <p>9,081</p> <p>53,526</p> <hr/> <p><u>\$ 10,896,294</u></p>	<p>Total Governmental Fund Balances</p> <p><i>Amounts reported for governmental activities in the statement of net position are different because:</i></p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> <p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p> <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Bonds payable</td> <td style="width: 20%; text-align: right;">(8,641,053)</td> <td style="width: 40%;"></td> </tr> <tr> <td>Premium on bond issue</td> <td style="text-align: right;">(836,257)</td> <td></td> </tr> <tr> <td>Accrued interest payable</td> <td style="text-align: right;">(51,862)</td> <td></td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;"><u>(643,504)</u></td> <td style="text-align: right;">(10,172,676)</td> </tr> </table> <p>Deferred outflows of resources from refunding of bonds are amortized over the life of the bonds and are not reported in the funds.</p> <p>The net pension and OPEB liabilities are not due and payable in the current period therefore, the liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Deferred outflows - pension</td> <td style="width: 20%; text-align: right;">3,247,320</td> <td style="width: 40%;"></td> </tr> <tr> <td>Deferred inflows - pension</td> <td style="text-align: right;">(487,922)</td> <td></td> </tr> <tr> <td>Net pension liability</td> <td style="text-align: right;">(9,476,923)</td> <td></td> </tr> <tr> <td>Deferred outflows - OPEB</td> <td style="text-align: right;">128,183</td> <td></td> </tr> <tr> <td>Deferred inflows - OPEB</td> <td style="text-align: right;">(245,202)</td> <td></td> </tr> <tr> <td>Net OPEB liability</td> <td style="text-align: right;"><u>(2,199,416)</u></td> <td style="text-align: right;"><u>(9,033,960)</u></td> </tr> </table>	Bonds payable	(8,641,053)		Premium on bond issue	(836,257)		Accrued interest payable	(51,862)		Compensated absences	<u>(643,504)</u>	(10,172,676)	Deferred outflows - pension	3,247,320		Deferred inflows - pension	(487,922)		Net pension liability	(9,476,923)		Deferred outflows - OPEB	128,183		Deferred inflows - OPEB	(245,202)		Net OPEB liability	<u>(2,199,416)</u>	<u>(9,033,960)</u>	<p>\$ 6,321,722</p> <p>21,537,952</p> <p>120,619</p> <p>424,356</p> <p>(10,172,676)</p> <p>424,356</p> <p>(9,033,960)</p> <hr/> <p>Net Position of Governmental Activities</p> <hr/> <p><u>\$ 9,198,013</u></p>
Bonds payable	(8,641,053)																															
Premium on bond issue	(836,257)																															
Accrued interest payable	(51,862)																															
Compensated absences	<u>(643,504)</u>	(10,172,676)																														
Deferred outflows - pension	3,247,320																															
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Net pension liability	(9,476,923)																															
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Net OPEB liability	<u>(2,199,416)</u>	<u>(9,033,960)</u>																														
<hr/> <p>\$ 10,896,294</p>																																

See accompanying notes to the basic financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2018

	General	Debt Service	Other Grants	Other Governmental Funds
Revenues:				
Taxes	\$ 3,295,829	\$ 920,959	\$ -	\$ 183,851
Tuition and fees	345,272	-	-	-
Interest	25,432	-	-	-
Charges for services	-	-	-	104,879
Extracurricular activities	-	-	-	61,759
Intergovernmental	4,481,176	67,154	-	555,955
Payment in lieu of taxes	-	-	497,413	-
Contributions and donations	1,896	-	22,278	515
Other local revenues	72,293	-	10,916	1,037
Total revenues	<u>8,221,898</u>	<u>988,113</u>	<u>530,607</u>	<u>907,996</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,384,282	-	12,962	5,666
Special education	1,257,239	-	-	206,381
Other instruction	453,351	-	-	85,075
Support services:				
Pupil	522,129	-	-	4,854
Instructional staff	175,381	-	-	29,761
Board of Education	108,824	-	-	-
Administration	654,485	-	-	-
Fiscal	338,851	12,610	-	-
Operation and maintenance of plant	951,918	-	73,523	133,280
Pupil transportation	294,652	-	-	-
Non-instructional services:				
Extracurricular activities	277,954	-	3,403	63,609
Community service	-	-	7,000	-
Food service	-	-	-	339,307
Capital outlay	-	-	-	750
Debt Service:				
Principal	-	444,736	-	-
Interest and fiscal charges	-	393,787	-	-
Total expenditures	<u>8,419,066</u>	<u>851,133</u>	<u>96,888</u>	<u>868,683</u>
Excess (deficiency) of revenues over/(under) expenditures	<u>(197,168)</u>	<u>136,980</u>	<u>433,719</u>	<u>39,313</u>
Other financing sources (uses):				
Transfers in	-	-	5,684	36,075
Transfers out	(5,684)	-	-	(36,075)
Total other financing sources (uses):	<u>(5,684)</u>	<u>-</u>	<u>5,684</u>	<u>-</u>
Net change in fund balance	(202,852)	136,980	439,403	39,313
Fund balance, beginning of year	4,255,940	742,899	487,749	422,290
Fund balance, end of year	<u>\$ 4,053,088</u>	<u>\$ 879,879</u>	<u>\$ 927,152</u>	<u>\$ 461,603</u>

See accompanying notes to the basic financial statements.

**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, 2018

Total Governmental Funds			
	Net Change in Fund Balances - Total Governmental Funds		\$ 412,844
\$ 4,400,639	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
345,272	Governmental funds report capital outlays as expenditures.		
25,432	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
104,879	Capital asset additions	80,042	
61,759	Depreciation expense	(867,870)	(787,828)
5,104,285	Revenues in the statement of activities that do not provide current financial current financial resources are not reported as revenues in the funds.		(20,057)
497,413	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
24,689	Compensated absences	(41,366)	
84,246	Interest on long-term debt	864	
10,648,614	Amortization of deferred charges	(21,762)	
	Amortization of bond premiums	54,685	
	Net accretion on capital appreciation bonds	240,876	233,297
3,402,910	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.		444,736
1,463,620	Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities report these amounts as deferred outflows:		
538,426	Pension	660,489	
526,983	OPEB	24,144	684,633
205,142	Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension and OPEB liabilities are reported as negative pension and OPEB expenses in the statement of activities:		
108,824	Pension	2,799,267	
654,485	OPEB	293,721	3,092,988
351,461			
1,158,721			
294,652			
344,966			
7,000			
339,307			
750			
444,736			
393,787			
10,235,770			
412,844			
41,759			
(41,759)			
-			
412,844			
5,908,878			
\$ 6,321,722	Change in Net Position of Governmental Activities		\$ 4,060,613

See accompanying notes to the basic financial statements.

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

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	\$ <u>41,223</u>
Total assets	<u>41,223</u>
LIABILITIES	
Due to student groups	<u>41,223</u>
Total liabilities	\$ <u>41,223</u>

See accompanying notes to the basic financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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 700 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, 2018**

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, 2018**

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.

Other Grants Fund – This fund is used to account for local grants, donations and payments in lieu of taxes restricted for various projects and committed for construction and improvements of athletic facilities.

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, 2018**

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, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property and income taxes and payments in lieu of taxes are 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 until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2018, but are intended to finance 2019 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 pension and OPEB are reported on the government-wide statement of net position (see Notes 8 and 9).

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 include deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension and OPEB are reported on the government-wide of net position (see Notes 8 and 9).

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

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.

During fiscal year 2018, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2018, which approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the rights to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Inventory and Prepaid Items

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.

Certain payments to vendors reflect costs applicable to a future accounting period and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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 acquisition 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Capital Assets – *continued*

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

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. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

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.

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.

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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Fund Balance – *continued*

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

3. DEPOSITS AND INVESTMENTS—*continued*

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts; and
8. Commercial paper and bankers' acceptances, if training requirements are met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

3. DEPOSITS AND INVESTMENTS—*continued*

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

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the 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 \$4,968,191 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, or at least 102 percent, if the financial institution participates in the Treasurer of State's Ohio Pooled Collateral System.

Investments

The School District's investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form. The net asset value, which approximates fair value, of the School District's investment in STAR Ohio is \$1,615,892 at June 30, 2018.

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. STAR Ohio were rated AAAM by Standard & Poor's. STAR Ohio 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

3. DEPOSITS AND INVESTMENTS—*continued*

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 STAR Ohio.

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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017 on the assessed values listed as of the prior January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, 2018 are available to finance fiscal year 2018 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, 2018 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, 2018 were \$397,772 in the General Fund, \$141,760 in the Debt Service Fund, and \$15,893 in Other Governmental Funds.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

4. PROPERTY TAXES—continued

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 91,798,400	93.51%	\$ 91,109,570	93.07%
Public Utility	6,371,550	6.49%	6,785,960	6.93%
Total Assessed Value	<u>\$ 98,169,950</u>	100.00%	<u>\$ 97,895,530</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$54.90		\$58.25

5. INCOME TAXES

As approved by voters in May 2015, the School District levies a 1% school income tax on earned income of residents of the School District, ending November 2022. 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, 2018, the School District recorded income tax revenue of \$1,060,758 in the entity-wide financials and a receivable as of June 30, 2018 of \$385,527.

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.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

6. RISK MANAGEMENT—continued

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.

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
Governmental Activities				
Nondepreciable:				
Land	\$ 1,070,024	\$ -	\$ -	\$ 1,070,024
Depreciable:				
Land improvements	1,202,856	-	-	1,202,856
Buildings and improvements	25,561,503	-	-	25,561,503
Vehicles	480,915	-	-	480,915
Equipment and furniture	3,071,000	80,042	-	3,151,042
Library books and materials	765,895	-	-	765,895
Subtotal	<u>31,082,169</u>	<u>80,042</u>	<u>-</u>	<u>31,162,211</u>
Totals at historical cost	<u>32,152,193</u>	<u>80,042</u>	<u>-</u>	<u>32,232,235</u>
Less accumulated depreciation:				
Land improvements	571,036	57,691	-	628,727
Buildings and improvements	6,688,406	732,241	-	7,420,647
Vehicles	357,154	2,417	-	359,571
Equipment and furniture	1,482,897	48,011	-	1,530,908
Library books and materials	726,920	27,510	-	754,430
Total accumulated depreciation	<u>9,826,413</u>	<u>867,870</u>	<u>-</u>	<u>10,694,283</u>
Capital assets, net	<u>\$ 22,325,780</u>	<u>\$ (787,828)</u>	<u>\$ -</u>	<u>\$ 21,537,952</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 830,935
Support services:	
Instructional staff	11,662
Administration	824
Operation and maintenance of plant	7,123
Pupil transportation	2,417
Extracurricular activities	8,727
Food service	6,182
Total depreciation expense	<u>\$ 867,870</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 pension 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, 2018**

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, 2018 the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$145,744 for fiscal year 2018.

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, 2018**

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, 2018**

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. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% 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 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$514,745 for fiscal year 2018. Of this amount, \$86,904 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, 2017, 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 negative pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 2,225,848	\$ 7,251,075	\$ 9,476,923
Proportion of the Net Pension Liability	0.03725%	0.03052%	
Change in Proportion	0.00114%	0.00037%	
Negative Pension Expense	\$ (59,508)	\$ (2,739,759)	\$ (2,799,267)

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

8. PENSION PLANS—continued

At June 30, 2018, 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	\$ 95,793	\$ 280,003	\$ 375,796
Change in assumptions	115,101	1,585,888	1,700,989
Change in School District's proportionate share and difference in employer contributions	85,587	424,459	510,046
School District's contributions subsequent to the measurement date	<u>145,744</u>	<u>514,745</u>	<u>660,489</u>
Total Deferred Outflows of Resources	<u>\$ 442,225</u>	<u>\$ 2,805,095</u>	<u>\$ 3,247,320</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 58,440	\$ 58,440
Net difference between projected and actual earnings on pension plan investments	10,566	239,295	249,861
Change in School District's proportionate share and difference in employer contributions	<u>39,911</u>	<u>139,710</u>	<u>179,621</u>
Total Deferred Inflows of Resources	<u>\$ 50,477</u>	<u>\$ 437,445</u>	<u>\$ 487,922</u>

\$660,489 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, 2019. 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:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 109,284	\$ 390,071	\$ 499,355
2020	139,602	715,594	855,196
2021	49,007	596,840	645,847
2022	<u>(51,889)</u>	<u>150,400</u>	<u>98,511</u>
	<u>\$ 246,004</u>	<u>\$ 1,852,905</u>	<u>\$ 2,098,909</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
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Fiscal Year Ended June 30, 2018**

8. PENSION PLANS—continued

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, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

8. PENSION PLANS—continued

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 asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate – Total pension liability was calculated using the discount rate of 7.50%. 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 (7.50%). 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 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,088,899	\$2,225,848	\$1,502,867

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Fiscal Year Ended June 30, 2018**

8. PENSION PLANS—continued

Actuarial Assumptions - STRS

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, Including inflation	7.45%, net of investment expenses	7.75%. net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5 th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally, using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

8. PENSION PLANS—continued

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$10,394,169	\$7,251,075	\$4,603,489

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trend rates and others. While these estimates use the best information available, unknowable future events require adjusting these estimates 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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - School Employees Retirement System (SERS)

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 Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

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Fiscal Year Ended June 30, 2018**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, the minimum compensation amount was \$23,700. 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 2018, the School District's surcharge obligation was \$18,746.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$24,144 for fiscal year 2018. Of this amount \$18,746 is reported as an intergovernmental payable.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Fiscal Year Ended June 30, 2018**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

Plan Description - State Teachers Retirement System (STRS)

Plan Description—The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 to offer the Plan and gives the Retirement Board discretionary 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 Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$ 1,008,477	\$ 1,190,939	\$ 2,199,416
Proportion of the Net OPEB Liability	0.03758%	0.03052%	
Change in Proportion	0.00106%	0.00037%	
(Negative) OPEB Expense	\$ 66,899	\$ (360,620)	\$ (293,721)

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 68,748	\$ 68,748
Change in School District's proportionate share and difference in employer contributions	18,550	16,741	35,291
School District's contributions subsequent to the measurement date	24,144	-	24,144
Total Deferred Outflows of Resources	\$ 42,694	\$ 85,489	\$ 128,183
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$ 2,664	\$ 50,904	\$ 53,568
Change in assumptions	95,700	95,934	191,634
Total Deferred Inflows of Resources	\$ 98,364	\$ 146,838	\$ 245,202

\$24,144 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$ (28,619)	\$ (14,467)	\$ (43,086)
2020	(28,619)	(14,467)	(43,086)
2021	(21,910)	(14,467)	(36,377)
2022	(666)	(14,467)	(15,133)
2023	-	(1,741)	(1,741)
2024	-	(1,740)	(1,740)
	\$ (79,814)	\$ (61,349)	\$ (141,163)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

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 consider the employee's entire career with the employer and 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 OPEB liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
Municipal Bond Index Rate:	
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Trend Assumption:	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. PR-2000 Disabled Mortality Table with 90% for males rate and 100% for female rates set back five years.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56% as of June 30, 2017 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.63%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) and one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,217,865	\$1,008,477	\$842,589

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

	1% Decrease 6.5% decreasing to 4.0%)	Current Trend Rate 7.5% decreasing to 5.0%)	1% Increase 8.5% decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	\$818,304	\$1,008,477	\$1,260,176

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017 actuarial valuation are presented below:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6% - 11% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	6.84 %

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS—*continued*

Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) and one percentage point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,598,817	\$1,190,939	\$868,583
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$827,414	\$1,190,939	\$1,669,382

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

10. EMPLOYEE BENEFITS

Compensated Absences

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

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	<i>Restated</i>			Principal	Amounts
	Principal			Outstanding	Due in
	Outstanding	Additions	Reductions	6/30/18	One Year
	7/1/17				
<i>Governmental Activities:</i>					
2009 Classroom Facilities Improvement Bonds:					
General obligation bonds	\$ 1,360,000	\$ -	\$ (135,000)	\$ 1,225,000	\$ 135,000
Capital appreciation bonds	6,002	-	(1,769)	4,233	1,350
Accretion on CAB's	84,930	11,573	(65,303)	31,200	-
2009A School Facilities Improvement Bonds:					
General obligation bonds	1,770,000	-	(210,000)	1,560,000	215,000
Capital appreciation bonds	13,733	-	(5,661)	8,072	4,498
Accretion on CAB's	181,125	15,134	(147,859)	48,400	-
2009B School Facilities Improvement Bonds:					
General obligation bonds	980,000	-	-	980,000	-
Capital appreciation bonds	59,572	-	(32,306)	27,266	27,266
Accretion on CAB's	153,705	27,382	(92,694)	88,393	-
2016 School Facilities Refunding Bonds:					
General obligation bonds	4,670,000	-	(60,000)	4,610,000	25,000
Capital appreciation bonds	39,830	-	-	39,830	-
Accretion on CAB's	7,768	10,891	-	18,659	-
Premium on bond issues	890,942	-	(54,685)	836,257	-
Compensated absences	602,138	77,853	(36,487)	643,504	5,055
Net pension liability:					
STRS	10,095,110	-	(2,844,035)	7,251,075	-
SERS	2,643,290	-	(417,442)	2,225,848	-
Net OPEB liability:					
STRS	1,612,908	-	(421,969)	1,190,939	-
SERS	1,040,823	-	(32,346)	1,008,477	-
	<u>\$26,211,876</u>	<u>\$ 142,833</u>	<u>\$ (4,557,556)</u>	<u>\$21,797,153</u>	<u>\$ 413,169</u>

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018

11. LONG-TERM OBLIGATIONS – *continued*

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. On November 3, 2016, a portion of these bonds were advanced refunded with Series 2016 School Improvement Refunding Bonds. The remaining bonds have interest rates between 4.22% to 4.50% and a final maturity at September 30, 2024.

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.

On November 3, 2016, the School District issued \$4,709,830 in Series 2016 school facilities improvement refunding bonds used to advance refund \$4,710,000 in Series 2009A school facilities improvement bonds. The Series 2016 bonds bear interest between 1.25% to 4.00% and mature on September 30, 2037.

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, net pension and OPEB liabilities 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, 2018 are:

Fiscal Year Ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	408,114	496,372	904,486
2020		514,605	488,693	1,003,298
2021		571,050	234,590	805,640
2022		580,801	222,991	803,792
2023		566,783	211,316	778,099
2024-2028		2,218,048	870,974	3,089,022
2029-2033		1,625,000	561,300	2,186,300
2034-2038		1,970,000	202,600	2,172,600
Total	\$	<u>8,454,401</u>	<u>3,288,836</u>	<u>11,743,237</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

11. LONG-TERM OBLIGATIONS – *continued*

The Ohio Revised Code provides that voted net general obligation debt of a school district should never exceed 9% of its total assessed valuation. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the school district. The School District's voted legal debt margin was \$1,585,430, with an unvoted debt margin of \$97,896 at June 30, 2018.

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 Grants	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepaid items	\$ 12,099	\$ -	\$ -	\$ -	\$ 12,099
Inventory	-	-	-	9,081	9,081
<i>Total Nonspendable</i>	<u>12,099</u>	<u>-</u>	<u>-</u>	<u>9,081</u>	<u>21,180</u>
<i>Restricted for</i>					
Local Grant Programs	-	-	49,800	-	49,800
Classroom Maintenance	-	-	-	106,381	106,381
Athletics	-	-	-	19,781	19,781
Federal Grant Programs	-	-	-	9,118	9,118
Debt Service Payments	-	879,879	-	-	879,879
Capital Improvements	-	-	-	395,421	395,421
<i>Total Restricted</i>	<u>-</u>	<u>879,879</u>	<u>49,800</u>	<u>530,701</u>	<u>1,460,380</u>
<i>Committed to</i>					
Athletic Facility Improvements	-	-	877,352	-	877,352
<i>Assigned to</i>					
Public School Support	27,906	-	-	-	27,906
Encumbrances	263,302	-	-	-	263,302
<i>Total Assigned</i>	<u>291,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,208</u>
<i>Unassigned (Deficit)</i>	<u>3,749,781</u>	<u>-</u>	<u>-</u>	<u>(78,179)</u>	<u>3,671,602</u>
<i>Total Fund Balance</i>	<u>\$4,053,088</u>	<u>\$879,879</u>	<u>\$927,152</u>	<u>\$ 461,603</u>	<u>\$ 6,321,722</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

13. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2018 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 53,526	\$ -	\$ -	\$ 5,684
Other Grants Fund	-	-	5,684	-
Other Governmental Funds	-	53,526	36,075	36,075
	<u>\$ 53,526</u>	<u>\$ 53,526</u>	<u>\$ 41,759</u>	<u>\$ 41,759</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.

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.

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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

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.

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, 2018, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

16. CONTINGENCIES AND COMMITMENTS—*continued*

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, 2018 were:

General Fund	\$ 263,302
Other Grants Fund	26,990
Other Governmental Funds	<u>59,194</u>
	<u>\$ 349,486</u>

17. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2018, the following funds had a deficit fund balance:

Food Service	\$ 53,063
Title I	20,019
Supporting Effective Instruction Grant	5,097

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.

Compliance

The School District's General Fund had expenditures in excess of appropriations and thus was not in compliance with Ohio Revised Code Section 5705.41(B).

18. 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2018**

18. REQUIRED SET-ASIDES—*continued*

		<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2017	\$	-
Current year set-aside requirement		119,275
Current year offsets		<u>(119,275)</u>
Total	\$	<u>-</u>
Set-aside reserve balance as of June 30, 2018	\$	<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.

19. CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

		<u>Governmental Activities</u>
Net Position at June 30, 2017	\$	7,771,700
Adjustments:		
Net OPEB liability		(2,653,731)
Deferred outflow - payments subsequent to measurement date		<u>19,431</u>
Restated Net Position at June 30, 2017	\$	<u>5,137,400</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

**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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 3,169,674	3,169,674	3,294,120	124,446
Tuition and fees	213,432	213,432	339,792	126,360
Interest	13,777	13,777	25,432	11,655
Intergovernmental	4,619,560	4,619,560	4,483,827	(135,733)
Other local revenues	30,925	30,925	20,383	(10,542)
Total revenues	<u>8,047,368</u>	<u>8,047,368</u>	<u>8,163,554</u>	<u>116,186</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,206,257	3,206,257	3,443,574	(237,317)
Special education	1,213,935	1,213,935	1,227,525	(13,590)
Other instruction	540,721	540,721	453,807	86,914
Support services:				
Pupil	510,767	510,767	523,965	(13,198)
Instructional staff	233,573	233,573	179,339	54,234
Board of Education	100,938	100,938	161,221	(60,283)
Administration	657,538	657,538	706,888	(49,350)
Fiscal	384,327	384,327	368,593	15,734
Operation and maintenance of plant	950,953	950,953	1,074,041	(123,088)
Pupil transportation	338,235	338,235	407,252	(69,017)
Non-instructional services:				
Extracurricular activities	213,191	213,191	217,282	(4,091)
Total expenditures	<u>8,350,435</u>	<u>8,350,435</u>	<u>8,763,487</u>	<u>(413,052)</u>
Excess (deficiency) of revenues over (under) expenditures	(303,067)	(303,067)	(599,933)	(296,866)
Other financing sources (uses):				
Transfers in	22,000	22,000	22,000	-
Transfers out	(33,506)	(33,506)	(27,684)	5,822
Other sources	40,174	40,174	22,915	17,259
Total other financing sources (uses):	<u>28,668</u>	<u>28,668</u>	<u>17,231</u>	<u>23,081</u>
Net change in fund balance	(274,399)	(274,399)	(582,702)	(273,785)
Fund balance, beginning of year	4,386,699	4,386,699	4,386,699	
Prior year encumbrances appropriated	112,021	112,021	112,021	
Fund balance, end of year	\$ <u>4,224,321</u>	<u>4,224,321</u>	<u>3,916,018</u>	

See accompanying notes to required supplementary information.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Five Years (1) (2)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.0373%	0.0361%	0.0369%	0.0348%	0.0348%
School District's Proportionate Share of the Net Pension Liability	\$ 2,225,848	\$ 2,643,290	\$ 2,108,220	\$ 1,763,233	\$ 2,071,823
School District's Covered Payroll	\$ 1,299,436	\$ 1,404,929	\$ 1,256,571	\$ 1,022,619	\$ 988,259
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	171.29%	188.14%	167.78%	172.42%	209.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Five Years (1) (2)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.03052%	0.03016%	0.02817%	0.02961%	0.02961%
School District's Proportionate Share of the Net Pension Liability	\$ 7,251,075	\$ 10,095,110	\$ 7,786,138	\$ 7,201,878	\$ 8,578,829
School District's Covered Payroll	\$ 3,437,879	\$ 3,067,764	\$ 2,903,143	\$ 3,257,908	\$ 3,286,431
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	210.92%	329.07%	268.20%	221.06%	261.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.78%	72.09%	74.70%	69.30%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District Pension Contributions
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 145,744	\$ 181,921	\$ 196,690	\$ 165,616	\$ 141,735
Contributions in Relation to the Contractually Required Contributions	<u>\$ (145,744)</u>	<u>\$ (181,921)</u>	<u>\$ (196,690)</u>	<u>\$ (165,616)</u>	<u>\$ (141,735)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 1,079,585	\$ 1,299,436	\$ 1,404,929	\$ 1,256,571	\$ 1,022,619
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%
	<u>2013</u>				
Contractually Required Contributions	\$ 136,775				
Contributions in Relation to the Contractually Required Contributions	<u>\$ (136,775)</u>				
Contribution Deficiency (Excess)	<u>\$ -</u>				
School District Covered Payroll	\$ 988,259				
Contributions as a Percentage of Covered Payroll	13.84%				

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

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District Pension Contributions
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 514,745	\$ 481,303	\$ 429,487	\$ 406,440	\$ 423,528
Contributions in Relation to the Contractually Required Contributions	<u>\$ (514,745)</u>	<u>\$ (481,303)</u>	<u>\$ (429,487)</u>	<u>\$ (406,440)</u>	<u>\$ (423,528)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,676,750	\$ 3,437,879	\$ 3,067,764	\$ 2,903,143	\$ 3,257,908
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%
	<u>2013</u>				
Contractually Required Contributions	\$ 427,236				
Contributions in Relation to the Contractually Required Contributions	<u>\$ (427,236)</u>				
Contribution Deficiency (Excess)	<u>\$ -</u>				
School District Covered Payroll	\$ 3,286,431				
Contributions as a Percentage of Covered Payroll	13.00%				

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

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Years (1) (2)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.0376%	0.0365%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,008,477	\$ 1,040,823
School District's Covered Payroll	\$ 1,299,436	\$ 1,404,929
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	77.61%	74.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumption. Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net OPEB Liability
 State Teachers Retirement System of Ohio
 Last Two Years (1) (2)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.03052%	0.03016%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,190,939	\$ 1,612,908
School District's Covered Payroll	\$ 3,437,879	\$ 3,067,764
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	34.64%	52.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.11%	37.30%

- (1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.
- (2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumption. For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District OPEB Contributions
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions (2)	\$ 24,144	\$ 19,431	\$ 18,119
Contributions in Relation to the Contractually Required Contributions	<u>\$ (24,144)</u>	<u>\$ (19,431)</u>	<u>\$ (18,119)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 1,079,585	\$ 1,299,436	\$ 1,404,929
Contributions as a Percentage of Covered Payroll (2)	2.24%	1.50%	1.29%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District OPEB Contributions
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contributions (2)	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,676,750	\$ 3,437,879	\$ 3,067,764
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS elected to allocate the entire employer contribution rate toward pension benefits.

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

Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2018

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:

Net change in fund balance - GAAP Basis	\$	<u>General</u> (202,852)
Increase / (decrease):		
Due to inclusion of Public School Support Fund		795
Due to revenues		(59,139)
Due to expenditures		(81,119)
Due to other sources (uses)		22,915
Due to encumbrances		<u>(263,302)</u>
Net change in fund balance - Budget Basis	\$	<u>(582,702)</u>

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

This discussion and analysis provides key information from management highlighting the overall financial performance of the North Baltimore Local School District for the fiscal year ended June 30, 2017. 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 2017 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 \$7,771,700. In total, net position decreased by \$426,398.
- ✓ The School District had \$11,313,012 in expenses related to governmental activities; only \$947,152 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$9,939,462, 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 \$162,598 from \$4,093,342 at June 30, 2016 to \$4,255,940 at June 30, 2017.

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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
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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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at fiscal year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2017 and 2016:

	<u>FY2017</u>	<u>FY2016</u>
Assets:		
Current and other assets	\$ 10,121,328	10,118,559
Capital assets, net	<u>22,325,780</u>	<u>23,165,127</u>
Total assets	<u>32,447,108</u>	<u>33,283,686</u>
Deferred outflows of resources	<u>3,279,917</u>	<u>1,092,385</u>
Liabilities:		
Long-term liabilities:		
Net pension liability	12,738,400	9,894,358
Other long-term liabilities	10,819,745	10,608,371
Other liabilities	<u>1,066,508</u>	<u>1,144,312</u>
Total liabilities	<u>24,624,653</u>	<u>21,647,041</u>
Deferred inflows of resources	<u>3,330,672</u>	<u>4,530,932</u>
Net position:		
Net investment in capital assets	12,886,932	13,483,256
Restricted:		
For capital purposes	278,096	314,170
Other purposes	733,471	376,640
Debt service	372,680	268,801
Unrestricted (deficit)	<u>(6,499,479)</u>	<u>(6,244,769)</u>
Total net position	<u>\$ 7,771,700</u>	<u>8,198,098</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 revised 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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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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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A significant portion of the School District's net position (\$12.9 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. Due to recognizing their proportionate share of net pension liabilities, as required by GASB Statement No. 68, the School District's unrestricted net position ended the fiscal year with a deficit balance of \$6.5 million.

Total assets decreased about \$837,000, or 2.5%, during fiscal year 2017. This decrease primarily occurred in capital assets, as depreciation expense exceeded current year additions.

Total liabilities, other than net pension liability, increased by approximately \$134,000, or 1.1%, driven by issuance of refunding bonds during the fiscal year. The increase in net pension liability of about \$2.8 million was due to decreases in investment earnings experienced in both pension systems.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

B. Governmental Activities during fiscal year 2017

The following table presents a condensed summary of the School District's activities during fiscal year 2017 and 2016 and the resulting change in net position:

	<u>FY2017</u>	<u>FY2016</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 380,100	\$ 401,317
Operating grants and contributions	<u>567,052</u>	<u>549,095</u>
Total program revenues	<u>947,152</u>	<u>950,412</u>
General revenues:		
Property and income taxes	4,359,797	3,839,804
Grants and entitlements	4,741,769	4,708,088
Payment in lieu of taxes	620,246	433,520
Investment earnings	14,185	5,791
Miscellaneous	<u>203,465</u>	<u>95,022</u>
Total general revenues	<u>9,939,462</u>	<u>9,082,225</u>
Total revenues	<u>10,886,614</u>	<u>10,032,637</u>
Expenses:		
Instruction	6,477,321	5,759,329
Support services:		
Pupil	542,376	608,416
Instructional staff	344,160	422,794
Board of Education	101,464	94,759
Administration	739,779	621,253
Fiscal	424,948	318,156
Operation and maintenance of plant	1,173,644	967,977
Pupil transportation	318,901	308,632
Extracurricular activities	378,455	317,849
Interest and fiscal charges	460,739	421,340
Food services	<u>351,225</u>	<u>330,425</u>
Total expenses	<u>11,313,012</u>	<u>10,170,930</u>
Change in net position	(426,398)	(138,293)
Beginning net position	<u>8,198,098</u>	<u>8,336,391</u>
Ending net position	<u>\$ 7,771,700</u>	<u>\$ 8,198,098</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Of the total governmental activities revenues of \$10,886,614, \$947,152 (9%) 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, 44% (\$4,359,797) comes from property and income taxes and 48% (\$4,741,769) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

The School District's total revenue increased by about \$854,000, or 8.5%, during the fiscal year. The increases were attributable to increases in property taxes available for advance from the County Auditor, which can fluctuate from year to year, and increases in miscellaneous revenue due to multiple refunds, including from the Wood County Educational Service Center, insurance and cancellation of service contracts. Expenses increased by approximately \$1.1 million, or 11.2%. The majority of the increase is attributable to increases in pension expense associated with the increase in the School District's proportionate share of net pension liabilities. Additionally, increases in instruction were attributable to increases in staffing.

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 8% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$6,477,321 but program revenue contributed to fund 9% of those costs. Thus, general revenues of \$5,917,600 were needed to support of remainder of the instruction costs.

	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	\$ 6,477,321	559,721	9%	5,917,600
Support services	3,645,272	28,623	1%	3,616,649
Non-instructional services	729,680	358,808	49%	370,872
Interest and fiscal charges	460,739	-	0%	460,739
Total	<u>\$ 11,313,012</u>	<u>947,152</u>	<u>8%</u>	<u>10,365,860</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 \$9,000,835 (89%) of the total \$10,142,222 governmental funds' assets.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

General Fund. Fund balance at June 30, 2017 was \$4,255,940, with an unassigned fund balance of \$3,471,864. The unassigned fund balance represents approximately 41% of current-year general fund expenditures. The General Fund increased by \$162,598, or 4.0%. There was an increase of 3.2% in revenue and a 5.6% increase in expenditures, due to increases in taxes and instruction expenditures, as previously discussed. However, the increase in fund balance was higher than the previous fiscal year due to a decrease in transfers, due to completion of the athletic field project early in the current fiscal year.

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. The revenue budget fluctuated during the fiscal year, primarily due to uncertainty with timing of payments in lieu of taxes. The final expenditures budget was increased by 3% based on overly conservative estimates, but the School District was able to ultimately stay \$87,932 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2017, the School District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The slight 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>FY2017</u>	<u>FY2016</u>
Land	\$	1,070,024	1,070,024
Land improvements		631,820	689,511
Buildings and improvements		18,873,097	19,605,338
Equipment and furniture		1,588,103	764,215
Vehicles		123,761	104,904
Library books and materials		38,975	66,485
Construction in progress		-	864,650
Total	\$	<u>22,325,780</u>	<u>23,165,127</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
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Debt

During the year, the School District made its regularly scheduled payments on its Series 2009 classroom facilities improvement bonds. The School District also, issued \$4,709,830 to advance refund a portion of the Series 2009A school improvement bonds for a savings of \$881,000. As of June 30, 2017, the School District's obligations for its bonds was \$8,899,137, which are payable over the next twenty-one years.

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

ECONOMIC FACTORS

The area of school finance is always changing, property devaluations, the unconstitutional state foundation formula, ADM counts, open-enrollment polices, community and charter schools options. CSX's Northwest Ohio Inter-modal Rail Yard, that was opened in 2010 to create a national gateway connecting the Mid-Atlantic region to the Midwest, have decided to scale back and reduce operations effective November 11, 2017. This may impact the local economy and have a ripple effect throughout the community.

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 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 2018 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.

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, 2017

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 6,075,803
Receivables:	
Taxes	3,759,785
Accounts	17,975
Intergovernmental	250,647
Supplies inventory	6,643
Prepays	10,475
Nondepreciable capital assets	1,070,024
Depreciable capital assets, net	<u>21,255,756</u>
Total assets	<u>32,447,108</u>
Deferred Outflows of Resources:	
Deferred charges	446,118
Pensions	<u>2,833,799</u>
Total deferred outflows of resources	<u>3,279,917</u>
Liabilities:	
Accounts payable	78,805
Accrued wages and benefits	831,982
Intergovernmental payable	102,995
Accrued interest payable	52,726
Noncurrent liabilities:	
Due within one year	448,554
Due more than one year:	
Net pension liability	12,738,400
Other amounts due more than one year	<u>10,371,191</u>
Total liabilities	<u>24,624,653</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	2,850,992
Payment in lieu of taxes for next fiscal year	207,000
Pensions	<u>272,680</u>
Total deferred inflows of resources	<u>3,330,672</u>
Net Position:	
Net investment in capital assets	12,886,932
Restricted for:	
Capital projects	278,096
Other purposes	733,471
Debt service	372,680
Unrestricted (deficit)	<u>(6,499,479)</u>
Total net position	<u>\$ 7,771,700</u>

See accompanying notes to the basic financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Activities
Fiscal Year Ended June 30, 2017

	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	\$ 4,318,802	\$ 219,601	\$ 27,288	\$ (4,071,913)
Special education	1,526,236	-	246,903	(1,279,333)
Other	632,283	-	65,929	(566,354)
Support services:				
Pupil	542,376	-	5,102	(537,274)
Instructional staff	344,160	-	23,521	(320,639)
Board of Education	101,464	-	-	(101,464)
Administration	739,779	-	-	(739,779)
Fiscal	424,948	-	-	(424,948)
Operation and maintenance of plant	1,173,644	-	-	(1,173,644)
Pupil transportation	318,901	-	-	(318,901)
Non-instructional services:				
Extracurricular activities	378,455	66,606	-	(311,849)
Food service	351,225	93,893	198,309	(59,023)
Interest and fiscal charges	460,739	-	-	(460,739)
Total Governmental Activities	\$ 11,313,012	\$ 380,100	\$ 567,052	(10,365,860)
General Revenues:				
Property taxes, levied for general purposes				2,642,058
Property taxes, levied for debt services				608,039
Property taxes, levied for capital projects				106,175
Income taxes				1,003,525
Grants and entitlements not restricted to specific programs				4,741,769
Payment in lieu of taxes				620,246
Investment earnings				14,185
Miscellaneous				203,465
Total general revenues				9,939,462
Change in net position				(426,398)
Net position beginning of year				8,198,098
Net position end of year				\$ 7,771,700

See accompanying notes to the basic financial statements.

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

Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,506,699	\$ 605,415	\$ 963,689	\$ 6,075,803
Receivables:				
Taxes	2,938,787	693,590	127,408	3,759,785
Accounts	17,975	-	-	17,975
Intergovernmental	207,000	-	43,647	250,647
Prepays	10,475	-	-	10,475
Materials and supplies inventory	-	-	6,643	6,643
Interfund receivable	20,894	-	-	20,894
Total assets	<u>\$ 7,701,830</u>	<u>\$ 1,299,005</u>	<u>\$ 1,141,387</u>	<u>\$ 10,142,222</u>
Liabilities:				
Accounts payable	\$ 56,811	\$ -	\$ 21,994	\$ 78,805
Accrued wages and benefits	782,778	-	49,204	831,982
Intergovernmental payable	101,237	-	1,758	102,995
Interfund payable	-	-	20,894	20,894
Total liabilities	<u>940,826</u>	<u>-</u>	<u>93,850</u>	<u>1,034,676</u>
Deferred Inflows of Resources:				
Taxes levied for next fiscal year	2,221,196	540,958	88,838	2,850,992
Payment in lieu of taxes for next fiscal year	207,000	-	-	207,000
Unavailable revenue	76,868	15,148	48,660	140,676
Total deferred inflows of resources	<u>2,505,064</u>	<u>556,106</u>	<u>137,498</u>	<u>3,198,668</u>
Fund Balances:				
Nonspendable	10,475	-	6,643	17,118
Restricted	-	742,899	956,264	1,699,163
Assigned	773,601	-	-	773,601
Unassigned (Deficit)	3,471,864	-	(52,868)	3,418,996
Total fund balances	<u>4,255,940</u>	<u>742,899</u>	<u>910,039</u>	<u>5,908,878</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,701,830</u>	<u>\$ 1,299,005</u>	<u>\$ 1,141,387</u>	<u>\$ 10,142,222</u>

See accompanying notes to the basic financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balances \$ 5,908,878

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. 22,325,780

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 140,676

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

Bonds payable	9,326,665	
Premium on bond issue	890,942	
Accrued interest payable	52,726	
Compensated absences	<u>602,138</u>	
Total		(10,872,471)

Deferred outflows of resources from refunding of bonds are amortized over the life of the bonds and are not reported in the funds. 446,118

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	2,833,799	
Deferred inflows - pension	(272,680)	
Net pension liability	<u>(12,738,400)</u>	
Total		(10,177,281)

Net Position of Governmental Activities \$ 7,771,700

See accompanying notes to the basic financial statements.

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,403,727	\$ 775,610	\$ 181,467	\$ 4,360,804
Tuition and fees	219,601	-	-	219,601
Interest	13,777	-	408	14,185
Charges for services	-	-	93,893	93,893
Extracurricular activities	-	-	66,606	66,606
Intergovernmental	4,631,430	100,831	583,720	5,315,981
Payment in lieu of taxes	214,386	-	405,860	620,246
Contributions and donations	5,248	-	1,613	6,861
Other local revenues	129,776	4,116	62,712	196,604
Total revenues	<u>8,617,945</u>	<u>880,557</u>	<u>1,396,279</u>	<u>10,894,781</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,238,202	-	45,153	3,283,355
Special education	1,216,992	-	266,653	1,483,645
Other instruction	535,598	-	87,887	623,485
Support services:				
Pupil	505,290	-	6,336	511,626
Instructional staff	232,299	-	22,811	255,110
Board of Education	100,677	-	-	100,677
Administration	696,903	-	1,094	697,997
Fiscal	396,091	9,335	-	405,426
Operation and maintenance of plant	964,081	-	115,306	1,079,387
Pupil transportation	292,825	-	-	292,825
Non-instructional services:				
Extracurricular activities	264,883	-	75,008	339,891
Community service	-	-	4,046	4,046
Food service	-	-	329,363	329,363
Capital outlay	-	-	162,028	162,028
Debt Service:				
Principal	-	459,440	-	459,440
Interest and fiscal charges	-	311,539	-	311,539
Issuance costs	-	148,978	-	148,978
Total expenditures	<u>8,443,841</u>	<u>929,292</u>	<u>1,115,685</u>	<u>10,488,818</u>
Excess of revenues over/ (under) expenditures	<u>174,104</u>	<u>(48,735)</u>	<u>280,594</u>	<u>405,963</u>
Other financing sources (uses):				
Transfers in	-	-	47,581	47,581
Transfers out	(11,506)	-	(36,075)	(47,581)
Refunding bonds issued	-	4,709,830	-	4,709,830
Premium on refunding bonds	-	746,208	-	746,208
Payment to bond escrow agent	-	(5,307,060)	-	(5,307,060)
Total other financing sources (uses):	<u>(11,506)</u>	<u>148,978</u>	<u>11,506</u>	<u>148,978</u>
Net change in fund balance	162,598	100,243	292,100	554,941
Fund balance, beginning of year	4,093,342	642,656	617,939	5,353,937
Fund balance, end of year	<u>\$ 4,255,940</u>	<u>\$ 742,899</u>	<u>\$ 910,039</u>	<u>\$ 5,908,878</u>

See accompanying notes to the basic financial statements.

**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, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 554,941**

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	111,719	
Depreciation expense	<u>(951,066)</u>	(839,347)

Revenues in the statement of activities that do not provide current financial
current financial resources are not reported as revenues in the funds. (8,167)

Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the governmental funds:

Compensated absences	(45,038)	
Interest on long-term debt	44,967	
Net change in deferred charges	446,118	
Net change in bond premiums	(567,818)	
Net accretion on capital appreciation bonds	<u>(72,637)</u>	(194,408)

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. 459,440

Contractually required contributions are reported as expenditures in governmental
funds; however, the statement of activities report these amounts as deferred
outflows. 663,224

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. (1,062,251)

The issuance and refunding of general obligation bonds are recorded as other
financing sources and uses in the governmental funds, but are used to adjust
bonds payable on the statement of net position:

Refunding of general obligation bonds	(4,709,830)	
General obligation bonds refunded	<u>4,710,000</u>	<u>170</u>

Change in Net Position of Governmental Activities \$ (426,398)

See accompanying notes to the basic financial statements.

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

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	\$ <u>39,990</u>
Total assets	<u>39,990</u>
LIABILITIES	
Due to student groups	<u>39,990</u>
Total liabilities	\$ <u>39,990</u>

See accompanying notes to the basic financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017**

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, 2017**

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, 2017**

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, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property and income taxes and payments in lieu of taxes are 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 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, 2017, but are intended to finance 2018 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, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Cash and Investments – *continued*

During fiscal year 2017, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2017, which approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the rights to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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, 2017**

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, 2017**

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, 2017**

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, 2017**

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 (STAR Ohio);
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, 2017**

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 \$4,695,178 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 STAR Ohio is not evidenced by securities that exist in physical or book entry form. The net asset value, which approximates fair value, of the School District's investment in STAR Ohio is \$1,592,598 at June 30, 2017.

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. STAR Ohio were rated AAAM by Standard & Poor's. STAR Ohio 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 STAR Ohio.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016 on the assessed values listed as of the prior January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017 are available to finance fiscal year 2017 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, 2017 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, 2017 were \$416,395 in the General Fund, \$98,227 in the Debt Service Fund, and \$16,732 in Other Governmental Funds.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

4. PROPERTY TAXES—*continued*

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 79,891,950	92.74%	\$ 91,798,400	93.51%
Public Utility	6,249,960	7.26%	6,371,550	6.49%
Total Assessed Value	<u>\$ 86,141,910</u>	100.00%	<u>\$ 98,169,950</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$58.80		\$54.90	

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, 2017, the School District recorded income tax revenue of \$1,003,525 in the entity-wide financials and a receivable as of June 30, 2017 of \$350,317.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017**

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
Governmental Activities				
Nondepreciable:				
Land	\$ 1,070,024	\$ -	\$ -	\$ 1,070,024
Construction in progress	864,650	56,350	(921,000)	-
Depreciable:				
Land improvements	1,202,856	-	-	1,202,856
Buildings and improvements	25,561,503	-	-	25,561,503
Vehicles	454,878	26,037	-	480,915
Equipment and furniture	2,120,668	950,332	-	3,071,000
Library books and materials	765,895	-	-	765,895
Subtotal	<u>30,105,800</u>	<u>976,369</u>	<u>-</u>	<u>31,082,169</u>
Totals at historical cost	<u>32,040,474</u>	<u>1,032,719</u>	<u>(921,000)</u>	<u>32,152,193</u>
Less accumulated depreciation:				
Land improvements	513,345	57,691	-	571,036
Buildings and improvements	5,956,165	732,241	-	6,688,406
Vehicles	349,974	7,180	-	357,154
Equipment and furniture	1,356,453	126,444	-	1,482,897
Library books and materials	699,410	27,510	-	726,920
Total accumulated depreciation	<u>8,875,347</u>	<u>951,066</u>	<u>-</u>	<u>9,826,413</u>
Capital assets, net	<u>\$ 23,165,127</u>	<u>\$ 81,653</u>	<u>\$ (921,000)</u>	<u>\$ 22,325,780</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 831,418
Support services:	
Instructional staff	81,268
Administration	2,537
Operation and maintenance of plant	12,700
Pupil transportation	7,180
Extracurricular activities	8,727
Food service	7,236
Total depreciation expense	<u>\$ 951,066</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, 2017**

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, 2017 the allocation to pension, death benefits, and Medicare B was 14%.

The School District's contractually required contribution to SERS was \$181,921 for fiscal year 2017. Of this amount, \$19,431 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, 2017**

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, 2017**

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 was increased 1% each year until it reached 14% on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14% 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 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$481,303 for fiscal year 2017. Of this amount, \$83,564 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, 2016, 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	\$2,643,290	\$10,095,110	\$12,738,400
Proportion of the Net Pension Liability	0.03612%	0.03016%	
Change in Proportion	-0.00083%	0.00199%	
Pension Expense	\$330,053	\$732,198	\$1,062,251

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

8. PENSION PLANS—continued

At June 30, 2017, 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	\$ 35,653	\$ 407,890	\$ 443,543
Net difference between projected and actual earnings on pension plan investments	218,034	838,166	1,056,200
Change in assumptions	176,454	-	176,454
Change in School District's proportionate share and difference in employer contributions	54,990	439,388	494,378
School District's contributions subsequent to the measurement date	<u>181,921</u>	<u>481,303</u>	<u>663,224</u>
Total Deferred Outflows of Resources	<u>\$ 667,052</u>	<u>\$ 2,166,747</u>	<u>\$ 2,833,799</u>
Deferred Inflows of Resources			
Change in School District's proportionate share and difference in employer contributions	<u>\$ 63,114</u>	<u>\$ 209,566</u>	<u>\$ 272,680</u>

\$663,224 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, 2018. 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:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 110,251	\$ 237,279	\$ 347,530
2019	110,094	237,279	347,373
2020	138,996	558,909	697,905
2021	<u>62,676</u>	<u>442,411</u>	<u>505,087</u>
	<u>\$ 422,017</u>	<u>\$ 1,475,878</u>	<u>\$ 1,897,895</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.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

8. PENSION PLANS—*continued*

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, 2016, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	3.00%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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:

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate – Total pension liability was calculated using the discount rate of 7.50%. 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 (7.50%). 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 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,499,552	\$2,643,290	\$1,926,564

Change in Assumptions – The following changes in actuarial assumptions was made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience

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

- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females
- Mortality among service retired members and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, 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, 2016, 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	100.00 %	7.61 %

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

8. PENSION PLANS—continued

Discount Rate – The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. 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, 2016. 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, 2016.

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	\$13,415,580	\$10,095,110	\$7,294,097

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

9. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

9. POSTEMPLOYMENT BENEFITS—*continued*

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2.0% 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 health care surcharge. For fiscal year 2017, this amount was \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2017, the School District's surcharge obligation was \$19,431.

None of the 14% employer contribution was allocated to the Health Care Fund for the fiscal years June 30, 2017 and 2016. The School District's contributions for health care for the fiscal year June 30, 2015 was \$10,000.

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

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. STRS did not allocate a portion of the employer contributions to post-employment health care in last three fiscal years.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

10. EMPLOYEE BENEFITS

Compensated Absences

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

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 7/1/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
<i>Governmental Activities:</i>					
2009 Classroom Facilities Improvement Bonds:					
General obligation bonds	\$ 1,485,000	\$ -	\$ (125,000)	\$ 1,360,000	\$ 135,000
Capital appreciation bonds	8,318	-	(2,316)	6,002	1,769
Accretion on CAB's	72,546	25,068	(12,684)	84,930	-
2009A School Facilities Improvement Bonds:					
General obligation bonds	6,685,000	-	(4,915,000)	1,770,000	210,000
Capital appreciation bonds	20,857	-	(7,124)	13,733	5,661
Accretion on CAB's	161,911	47,090	(27,876)	181,125	-
2009B School Facilities Improvement Bonds:					
General obligation bonds	1,100,000	-	(120,000)	980,000	-
Capital appreciation bonds	59,572	-	-	59,572	32,306
Accretion on CAB's	120,434	33,271	-	153,705	-
2016 School Facilities Refunding Bonds:					
General obligation bonds	-	4,670,000	-	4,670,000	60,000
Capital appreciation bonds	-	39,830	-	39,830	-
Accretion on CAB's	-	7,768	-	7,768	-
Premium on bond issues	323,124	746,208	(178,390)	890,942	-
Compensated absences	571,609	115,737	(85,208)	602,138	3,818
Net pension liability:					
STRS	7,786,138	2,308,972	-	10,095,110	-
SERS	2,108,220	535,070	-	2,643,290	-
Total	\$20,502,729	\$ 8,529,014	\$ (5,473,598)	\$23,558,145	\$ 448,554

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

11. LONG-TERM OBLIGATIONS – *continued*

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. On November 3, 2016, a portion of these bonds were advanced refunded with Series 2016 School Improvement Refunding Bonds. The remaining bonds have interest rates between 4.22% to 4.50% and a final maturity at September 30, 2024.

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.

On November 3, 2016, the School District issued \$4,709,830 in Series 2016 school facilities improvement refunding bonds used to advance refund \$4,710,000 in Series 2009A school facilities improvement bonds. The Series 2016 bonds bear interest between 1.25% to 4.00% and mature on September 30, 2037. The advance refunding reduced the School District’s total debt service payments by \$881,224 to obtain an economic gain (difference between the present value of the debt service payments on the old and new bonds) of \$711,285.

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, 2017 are:

Fiscal Year Ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	444,736	374,369	819,105
2019		408,114	462,426	870,540
2020		514,605	464,051	978,656
2021		571,050	360,226	931,276
2022		580,801	322,984	903,785
2023-2027		2,494,831	932,690	3,427,521
2028-2032		1,565,000	625,100	2,190,100
2033-2037		1,900,000	280,000	2,180,000
2038		420,000	8,400	428,400
Total	\$	<u>8,899,137</u>	<u>3,830,246</u>	<u>12,729,383</u>

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017

11. LONG-TERM OBLIGATIONS – *continued*

The Ohio Revised Code provides that voted net general obligation debt of a school district should never exceed 9% of its total assessed valuation. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the school district. The School District's voted legal debt margin was \$1,302,161, with an unvoted debt margin of \$98,170 at June 30, 2017.

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>				
Prepaid items	\$ 10,475	\$ -	\$ -	\$ 10,475
Inventory	-	-	6,643	6,643
<i>Total Nonspendable</i>	10,475	-	6,643	17,118
<i>Restricted for</i>				
Local Grant Programs	-	-	487,749	487,749
Classroom Maintenance	-	-	174,975	174,975
Athletics	-	-	20,457	20,457
Debt Service Payments	-	742,899	-	742,899
Capital Improvements	-	-	273,083	273,083
<i>Total Restricted</i>	-	742,899	956,264	1,699,163
<i>Assigned to</i>				
Public School Support	28,701	-	-	28,701
Budget Resource	674,525	-	-	674,525
Encumbrances	70,375	-	-	70,375
<i>Total Assigned</i>	773,601	-	-	773,601
<i>Unassigned (Deficit)</i>	<u>3,471,864</u>	<u>-</u>	<u>(52,868)</u>	<u>3,418,996</u>
<i>Total Fund Balance</i>	<u>\$4,255,940</u>	<u>\$742,899</u>	<u>\$ 910,039</u>	<u>\$ 5,908,878</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

12. FUND BALANCES – *continued*

At June 30, 2017, the following funds had a deficit fund balance:

School Psychologist Intern Grant	\$	5,069
Title I		35,399
Supporting Effective Instruction Grant		7,004

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.

13. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2017 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 20,894	\$ -	\$ -	\$ 11,506
Other Governmental Funds	-	20,894	47,581	36,075
	<u>\$ 20,894</u>	<u>\$ 20,894</u>	<u>\$ 47,581</u>	<u>\$ 47,581</u>

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

14. JOINTLY GOVERNED ORGANIZATIONS

The Northwest Ohio Area Computer Services Cooperative (NOACSC)

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017**

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, 2017, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a 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, 2017 were:

General Fund	\$	112,021
Other Governmental Funds		<u>36,286</u>
	\$	<u>148,307</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2016	\$	-
Current year set-aside requirement		118,864
Current year offsets		<u>(118,864)</u>
Total	\$	<u>-</u>
Set-aside reserve balance as of June 30, 2017	\$	<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.

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REQUIRED SUPPLEMENTARY INFORMATION

**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, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 3,148,015	3,148,016	3,169,674	21,658
Tuition and fees	225,565	205,173	213,432	8,259
Interest	5,627	5,626	13,777	8,151
Intergovernmental	4,597,606	4,520,274	4,619,560	99,286
Payment in lieu of taxes	432,406	214,386	-	(214,386)
Other local revenues	34,912	34,911	30,924	(3,987)
Total revenues	<u>8,444,131</u>	<u>8,128,386</u>	<u>8,047,367</u>	<u>(81,019)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,994,744	3,230,895	3,206,257	24,638
Special education	1,108,274	1,108,275	1,213,935	(105,660)
Other instruction	601,076	601,076	540,721	60,355
Support services:				
Pupil	650,276	650,276	510,767	139,509
Instructional staff	251,550	183,745	233,572	(49,827)
Board of Education	180,185	180,185	100,938	79,247
Administration	671,869	742,170	657,538	84,632
Fiscal	301,845	301,845	384,327	(82,482)
Operation and maintenance of plant	901,164	901,164	950,953	(49,789)
Pupil transportation	346,336	346,336	338,235	8,101
Non-instructional services:				
Extracurricular activities	192,397	192,398	213,190	(20,792)
Total expenditures	<u>8,199,716</u>	<u>8,438,365</u>	<u>8,350,433</u>	<u>87,932</u>
Excess of revenues over (under) expenditures	244,415	(309,979)	(303,066)	6,913
Other financing sources (uses):				
Transfers in	24,000	-	22,000	22,000
Transfers out	(350,641)	(350,641)	(33,506)	317,135
Other sources	15,705	-	40,174	(40,174)
Total other financing sources (uses):	<u>(310,936)</u>	<u>(350,641)</u>	<u>28,668</u>	<u>298,961</u>
Net change in fund balance	(66,521)	(660,620)	(274,398)	305,874
Fund balance, beginning of year	4,449,208	4,449,208	4,449,208	
Prior year encumbrances appropriated	211,889	211,889	211,889	
Fund balance, end of year	\$ <u>4,594,576</u>	<u>4,000,477</u>	<u>4,386,699</u>	

See accompanying notes to required supplementary information.

**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 Four Measurement Periods (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0361%	0.0369%	0.0348%	0.0348%
School District's Proportionate Share of the Net Pension Liability	\$ 2,643,290	\$ 2,108,220	\$ 1,763,233	\$ 2,071,823
School District's Covered Payroll	\$ 1,404,929	\$ 1,256,571	\$ 1,022,619	\$ 988,259
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	188.14%	167.78%	172.42%	209.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	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.

See accompanying notes to required supplementary information.

**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 Four Measurement Periods (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.03016%	0.02817%	0.02961%	0.02961%
School District's Proportionate Share of the Net Pension Liability	\$ 10,095,110	\$ 7,786,138	\$ 7,201,878	\$ 8,578,829
School District's Covered Payroll	\$ 3,067,764	\$ 2,903,143	\$ 3,257,908	\$ 3,286,431
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	329.07%	268.20%	221.06%	261.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.78%	72.09%	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 Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 181,921	\$ 196,690	\$ 165,616	\$ 141,735	\$ 136,775
Contributions in Relation to the Contractually Required Contributions	<u>\$ (181,921)</u>	<u>\$ (196,690)</u>	<u>\$ (165,616)</u>	<u>\$ (141,735)</u>	<u>\$ (136,775)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 1,299,436	\$ 1,404,929	\$ 1,256,571	\$ 1,022,619	\$ 988,259
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	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.

See accompanying notes to required supplementary information.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
 Required Supplementary Information
 Schedule of School District Contributions
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 481,303	\$ 429,487	\$ 406,440	\$ 423,528	\$ 427,236
Contributions in Relation to the Contractually Required Contributions	<u>\$ (481,303)</u>	<u>\$ (429,487)</u>	<u>\$ (406,440)</u>	<u>\$ (423,528)</u>	<u>\$ (427,236)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,437,879	\$ 3,067,764	\$ 2,903,143	\$ 3,257,908	\$ 3,286,431
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	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.

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

Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2017

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	\$ 162,598
Increase / (decrease):	
Due to inclusion of Public School Support Fund	2,653
Due to revenues	(573,231)
Due to expenditures	205,429
Due to other sources (uses)	40,174
Due to encumbrances	<u>(112,021)</u>
Net change in fund balance - Budget Basis	\$ <u>(274,398)</u>

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

Notes to Required Supplementary Information - continued
Fiscal Year Ended June 30, 2017

Note B SERS Change in Assumptions

Amounts reported in June 30, 2017 reflect the following adjustments:

- Discount rate was reduced from 7.75% to 7.50%;
- Assumed rate of inflation was reduced from 3.25% to 3.00%;
- Payroll growth assumption was reduced from 4.00% to 3.50%;
- Assumed real wage growth was reduced from 0.75% to 0.50%;
- Rates of withdrawal, retirement and disability were updated to reflect recent experience;
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females;
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates;
- Mortality among disabled members was updated to the following:
 - RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.



**INDEPENDENT AUDITOR'S 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

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, Wood County, (the District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2018, wherein we noted the District adopted new accounting guidance in GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group
Piketon, Ohio
December 20, 2018

OHIO AUDITOR OF STATE KEITH FABER



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 26, 2019**