

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2010

With Independent Auditors' Report





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the North Baltimore Local School District, Wood County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 20, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
North Baltimore Local School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Local School District (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Local School District as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 9 and 38 through 39, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the North Baltimore Local School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Harkness & Co.*

Cincinnati, Ohio  
December 10, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the North Baltimore Local School District for the year ended June 30, 2010. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

### Financial Highlights

Major financial highlights for fiscal year 2010 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$14,044,193. Of this amount, \$1,410,736 is unrestricted.
- ✓ In total, net assets increased by \$12,173,462.
- ✓ The School District had \$8,886,997 in expenses related to governmental activities; only 14% of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$19,744,331, made up primarily of property and income taxes, State Foundation payments and monies from the Ohio School Facilities Commission, provided the majority of funding for these programs.
- ✓ The General Fund balance decreased by \$148,197 from \$1,480,928 at June 30, 2009 to \$1,332,731 at June 30, 2010.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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**Management's Discussion and Analysis**  
**Year Ended June 30, 2010**  
**Unaudited**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

The following table presents a condensed summary of the School District's overall financial position at June 30, 2010 and 2009:

		<u><b>FY2010</b></u>	<u><b>FY2009</b></u>
Current and other assets	\$	26,832,325	5,669,216
Capital assets		<u>4,256,692</u>	<u>2,200,035</u>
Total assets		<u>31,089,017</u>	<u>7,869,251</u>
Long-term liabilities		12,755,908	564,394
Other liabilities		<u>4,288,916</u>	<u>5,434,126</u>
Total liabilities		<u>17,044,824</u>	<u>5,998,520</u>
Net assets:			
Invested in capital assets, net of debt		2,868,326	380,035
Restricted:			
For capital purposes		9,419,415	108,238
Other purposes		132,311	38,746
Debt service		213,405	204,870
Unrestricted		<u>1,410,736</u>	<u>1,138,842</u>
Total net assets	\$	<u><u>14,044,193</u></u>	<u><u>1,870,731</u></u>

The largest portion of the School District's net assets reflects its restriction for capital improvements. The School District was awarded state funds for capital improvements to existing school buildings. The total award is \$12,112,577 with \$4,585,950 received in the current fiscal year. The remaining amount has been recorded as a receivable and revenue but is restricted for use on only state approved projects. The School District will receive quarterly draw-downs through 2012. The other large piece of net assets is the School District's investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase over fiscal year 2009 is the addition of construction in progress related to the current capital improvements of School District buildings. The School District also issued bonds to finance their cost of the project as indicated by the large increase in long-term liabilities. The balance of unrestricted net assets of \$1,410,736 may be used to meet the government's ongoing obligations to citizens and creditors.

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**Management's Discussion and Analysis**  
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**B. Governmental Activities during fiscal year 2010**

The following table presents a condensed summary of the School District's activities during fiscal year 2010 and 2009 and the resulting change in net assets:

	<u>FY2010</u>	<u>FY2009</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 328,117	354,456
Operating grants and contributions	988,011	485,209
Capital grants and contributions	-	6,174
Total program revenues	<u>1,316,128</u>	<u>845,839</u>
General revenues:		
Property and income taxes	3,086,646	2,775,369
Grants and entitlements	4,336,633	4,475,445
Classroom facilities assistance program	12,112,577	-
Investment earnings	25,440	28,053
Miscellaneous	183,035	91,988
Total general revenues	<u>19,744,331</u>	<u>7,370,855</u>
<b>Total revenues</b>	<u>21,060,459</u>	<u>8,216,694</u>
<b>Expenses:</b>		
Instruction	5,204,114	4,891,083
Support services:		
Pupil	237,845	200,623
Instructional staff	457,475	406,484
Board of Education	176,878	105,638
Administration	630,178	648,564
Fiscal	312,047	276,345
Operation and maintenance of plant	667,029	760,673
Pupil transportation	341,836	234,291
Extracurricular activities	274,670	270,601
Interest and fiscal charges	314,070	64,460
Food services	270,855	245,908
<b>Total expenses</b>	<u>8,886,997</u>	<u>8,104,670</u>
<b>Change in net assets</b>	\$ <u>12,173,462</u>	<u>112,024</u>

Of the total governmental activities revenues of \$21,060,459, 6% (\$1,316,128) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$3,086,646 (16%) comes

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from property and income taxes and \$4,336,633 (22%) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

During fiscal year 2010 the School District received 58% of its general revenues from the State to fund improvements to the School District's school buildings. Program revenues were also increased due to funding received from the federal government through the American Recovery and Reinvestment Act (ARRA). Expenditures increased approximately 9.7% and were due to an increase in debt service interest and increases in instruction and pupil transportation expenditures from the additional ARRA funding.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 15% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$5,204,114 but program revenue contributed to fund 18% of those costs. Thus, general revenues of \$4,244,294 were used 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	\$ 5,204,114	959,820	18%	4,244,294
Support services	2,823,288	39,342	1%	2,783,946
Non-instructional services	545,525	316,966	58%	228,559
Interest and fiscal charges	314,070	-	0%	314,070
<b>Total</b>	<b>\$ 8,886,997</b>	<b>1,316,128</b>	<b>15%</b>	<b>7,570,869</b>

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

**Governmental funds**

The School District has three major governmental funds: the General Fund, Building Fund and the Classroom Facilities Project Fund. Assets of these three funds comprise \$24,986,045 (95%) of the total \$26,382,240 governmental funds assets.

**General Fund.** Fund balance at June 30, 2010 was \$1,480,928, with an unreserved fund balance of \$987,220. The fund balance decreased by \$148,197. The unreserved fund balance represents approximately 14% of current-year general fund expenditures. The general fund balance decreased during the current year due primarily to reduced revenues and a slight increase in expenditures.

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**Building Fund.** This fund was used to account for the activity related to improvements of school buildings and related debt. Activity during the current year included the issuance of bonds as well as some engineering costs in relation to the project.

**Classroom Facilities Project Fund.** This fund was used to account for state monies from the Ohio School Facilities Commission for the construction of a new middle/high school. During fiscal year 2010, project funds were received by both the state and from the issuance of bonds to begin the construction process.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

The \$77,498 decrease in intergovernmental revenue between the original and the final budget was due to an initial optimistic estimate on State's foundation program. On the expenditure side, the final budget decreased by less than 1% from the original budget across several functions.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At June 30, 2010, the School District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 6 to the financial statements for more detail.

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

		<u><b>FY2010</b></u>	<u><b>FY2009</b></u>
Land	\$	792,032	39,592
Buildings and improvements		1,808,892	1,883,320
Equipment and furniture		79,113	78,759
Vehicles		167,568	198,364
Construction in progress		1,409,087	-
Total	\$	<u><u>4,256,692</u></u>	<u><u>2,200,035</u></u>

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**Management's Discussion and Analysis**  
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**Debt**

During the year, the School District issued 3 series of general obligation bonds. 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 School District also 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. Finally, the School District issued \$1,669,572 in Series 2009B school facilities improvement bonds which were used to retire bond anticipation notes. See Note 10 to the financial statements for more detail.

**ECONOMIC FACTORS**

There are many changes happening in the area of school finance and the poor economic climate itself: the cost of the No Child Left Behind Act, the depleting inventory tax, the unconstitutional state foundation formula, open-enrollment polices, community and charter schools options and the possible developments in growth to the town of North Baltimore to mention a few.

In fiscal year 2007 the School District's voters passed a 5-year 1% earned income tax levy. Collections began in January 2008 and the School District received approximately \$578,000 (cash basis) in fiscal year 2010.

The School District passed a 2 mill renewal Permanent Improvement Levy for a continuing period on the November 2007 Ballot. The School District passed an 8 mill Five Year renewal Operating Levy on the March 4, 2008 ballot. An 8.9 mill Continuing Replacement Levy was passed in May 2010 that helped keep the 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 2012 or making additional cuts. Finally, the School District also has a \$157,000 Emergency Levy that will need to be renewed in calendar year 2011.

On May 5, 2010, the voters passed a 7.57 mill bond issue for the purpose of building a new middle school/high school and renovating Powell Elementary. This represents the School District's share of the project with the State contributing approximately \$12 million. A .25% income tax was also passed to pay for the School District's share of the OSFC project.

**REQUESTS FOR ADDITIONAL INFORMATION**

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

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 14,844,973
Receivables:	
Taxes	3,901,977
Intergovernmental	7,554,798
Supplies inventory	10,100
Restricted cash	65,518
Deferred charges	454,959
Nondepreciable capital assets	2,201,119
Depreciable capital assets, net	<u>2,055,573</u>
<b>Total assets</b>	<u>31,089,017</u>
<b>Liabilities:</b>	
Accounts payable	218,025
Accrued wages and benefits	629,442
Intergovernmental payable	107,956
Unearned revenue	3,176,035
Accrued interest payable	157,458
Noncurrent liabilities:	
Due within one year	312,251
Due within more than one year	<u>12,443,657</u>
<b>Total liabilities</b>	<u>17,044,824</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,868,326
Restricted for:	
Capital projects	9,419,415
Other purposes	132,311
Debt service	213,405
Unrestricted	<u>1,410,736</u>
<b>Total net assets</b>	<u>\$ 14,044,193</u>

See accompanying notes to the basic financial statements.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Statement of Activities  
Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 2,574,882	144,486	-	(2,430,396)
Special education	1,874,507	-	814,114	(1,060,393)
Other	754,725	-	1,220	(753,505)
Support services:				
Pupil	237,845	-	2,461	(235,384)
Instructional staff	457,475	-	31,881	(425,594)
Board of Education	176,878	-	-	(176,878)
Administration	630,178	-	5,000	(625,178)
Fiscal	312,047	-	-	(312,047)
Operation and maintenance of plant	667,029	-	-	(667,029)
Pupil transportation	341,836	-	-	(341,836)
Non-instructional services:				
Extracurricular activities	274,670	51,639	-	(223,031)
Food service	270,855	131,992	133,335	(5,528)
Interest and fiscal charges	314,070	-	-	(314,070)
<b>Total Governmental Activities</b>	<b>8,886,997</b>	<b>328,117</b>	<b>988,011</b>	<b>(7,570,869)</b>

## General Revenues:

Property taxes, levied for general purposes	2,007,483
Property taxes, levied for debt services	426,743
Property taxes, levied for capital projects	62,501
Income taxes	589,919
Grants and entitlements not restricted to specific programs	4,336,633
Classroom facilities assistance program	12,112,577
Investment earnings	25,440
Miscellaneous	183,035
<b>Total general revenues</b>	<b>19,744,331</b>
Change in net assets	12,173,462
Net assets beginning of year	1,870,731
<b>Net assets end of year</b>	<b>14,044,193</b>

See accompanying notes to the basic financial statements.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2010

	General	Building	Classroom Facilities Project	Other Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 1,584,968	3,473,342	9,156,433	630,230
Restricted cash	65,518	-	-	-
Receivables:				
Taxes	3,174,283	-	-	727,694
Intergovernmental	-	-	7,526,627	28,171
Materials and supplies inventory	-	-	-	10,100
Interfund receivable	4,874	-	-	-
<b>Total assets</b>	<u>4,829,643</u>	<u>3,473,342</u>	<u>16,683,060</u>	<u>1,396,195</u>
<b>Liabilities:</b>				
Accounts payable	8,911	-	209,114	-
Accrued wages and benefits	549,842	-	-	79,600
Intergovernmental payable	95,900	-	-	12,056
Interfund payable	-	-	-	4,874
Compensated absences payable	143,271	-	-	-
Deferred revenue	2,698,988	-	7,526,627	656,301
<b>Total liabilities</b>	<u>3,496,912</u>	<u>-</u>	<u>7,735,741</u>	<u>752,831</u>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	8,989	5,006	126,345	100,750
Textbooks and instructional materials	65,518	-	-	-
Property taxes	271,004	-	-	81,650
Materials and supplies inventory	-	-	-	10,100
Debt service	-	-	-	361,382
Unreserved, reported in:				
General Fund	987,220	-	-	-
Special Revenue Funds	-	-	-	(94,862)
Capital Projects Funds	-	3,468,336	8,820,974	184,344
<b>Total fund balances</b>	<u>1,332,731</u>	<u>3,473,342</u>	<u>8,947,319</u>	<u>643,364</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,829,643</u>	<u>3,473,342</u>	<u>16,683,060</u>	<u>1,396,195</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2010

<p style="text-align: center;">Total Governmental Funds</p> <hr style="width: 100%;"/>			
14,844,973	<b>Total Governmental Fund Balances</b>	\$	14,396,756
65,518			
3,901,977	Amounts reported for governmental activities in the statement of net assets are different because:		
7,554,798			
10,100	Deferred charges in governmental activities are not financial resources and therefore are not reported in the funds.		454,959
4,874			
<u>26,382,240</u>			
218,025	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,256,692
629,442			
107,956	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		7,705,881
4,874			
143,271			
10,881,916	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
<u>11,985,484</u>			
	Bonds payable	11,661,455	
	Premium on bond issue	454,959	
241,090	Accrued interest payable	157,458	
65,518	Compensated absences	<u>496,223</u>	
352,654	Total		<u>(12,770,095)</u>
10,100			
361,382			
987,220			
(94,862)	Net Assets of Governmental Activities	\$	<u>14,044,193</u>
<u>12,473,654</u>			
<u>14,396,756</u>			
<u>26,382,240</u>			

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2010

	General	Building	Classroom Facilities Project	Other Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,545,822	-		513,335
Tuition and fees	144,486	-		-
Interest	3,167	7,732	14,462	79
Charges for services	-	-		131,992
Intergovernmental	4,251,300		4,585,950	1,063,087
Other local revenues	98,786	-	-	136,851
<b>Total revenues</b>	<u>7,043,561</u>	<u>7,732</u>	<u>4,600,412</u>	<u>1,845,344</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,544,428	-	-	24,886
Special education	1,035,252	-	-	832,305
Other instruction	744,877	-	-	9,383
Support services:				
Pupil	233,375	-	-	2,461
Instructional staff	416,691	-	-	33,430
Board of Education	176,878	-	-	-
Administration	620,601	-	-	5,000
Fiscal	295,043	6,160	-	7,010
Operation and maintenance of plant	655,776	933,407	-	2,566
Pupil transportation	304,779	-	-	-
Non-instructional services:				
Extracurricular activities	159,787	-	-	111,744
Food service	-	-	-	265,140
Capital outlay	-	-	1,228,120	5,588
Debt Service:				
Principal	-	-	-	1,820,000
Interest and fiscal charges	-	-	-	174,508
Issuance costs	-	148,097	188,487	118,375
<b>Total expenditures</b>	<u>7,187,487</u>	<u>1,087,664</u>	<u>1,416,607</u>	<u>3,414,796</u>
Excess of revenues over (under) expenditures	<u>(143,926)</u>	<u>(1,079,932)</u>	<u>3,183,805</u>	<u>(1,569,452)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	4,271
Transfers out	(4,271)	-	-	-
Proceeds from sale of bonds	-	4,405,177	5,575,027	1,669,572
Premium on sale of bonds	-	148,097	188,487	118,375
<b>Total other financing sources (uses):</b>	<u>(4,271)</u>	<u>4,553,274</u>	<u>5,763,514</u>	<u>1,792,218</u>
Net change in fund balance	(148,197)	3,473,342	8,947,319	222,766
Fund balance, beginning of year	1,480,928	-	-	420,598
Fund balance, end of year	\$ <u>1,332,731</u>	<u>3,473,342</u>	<u>8,947,319</u>	<u>643,364</u>

See accompanying notes to the basic financial statements.



**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2010

	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in pooled cash and investments	\$ <u>20,402</u>
Total assets	<u><u>20,402</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>20,402</u>
Total liabilities	\$ <u><u>20,402</u></u>

See accompanying notes to the basic financial statements.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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

The financial statements of the North Baltimore Local School District, Ohio (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

#### **Reporting Entity**

North Baltimore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services to approximately 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 three organizations, one of which is defined as a jointly governed organization and two are insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Wood County Schools Health Insurance Consortium. These organizations are presented in Notes 12 and 13 to the basic financial statements.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2010

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### **Basis of Presentation**

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

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

### **Fund Accounting**

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

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2010

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

**General Fund** - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

### **Basis of Accounting**

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

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

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

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

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2010

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

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

**Deferred Revenue.** Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2010, which are intended to finance fiscal year 2011 operations, have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

### **Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool and individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. Following Ohio statutes, the Board of Education has by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2010, investments were limited to STAROhio and money markets. Investments are reported at their fair value, which is based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 2010, the fair value of investments approximates cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2010. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010.

### **Inventory**

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

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$3,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

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

### **Compensated Absences**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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### **Restricted Assets**

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

### **Interfund Transactions**

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

### **Estimates**

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

### **Fund Balance Reserves**

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

### **Net Assets**

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

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

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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### **2. DEFICIT FUND BALANCE**

At June 30, 2010, the following funds had a deficit fund balance:

IDEA Part B Grant Fund	\$10,532
State Fiscal Stabilization Fund	\$6,357
Title I Grant Fund	\$1,988

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

### **3. DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2010

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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; and
6. The State Treasurer's investment pool (STAROhio).

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 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 year-end, none of the School District's bank balance of \$13,446,076 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, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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

### Investments

The School District's investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio were rated AAAM by Standard & Poor's. The fair value of the School District's investment in STAROhio is \$1,571,003 at June 30, 2010.

## **4. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of the prior January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2010

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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, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2010, was \$271,004 in the General Fund and \$81,650 in the Other Governmental Funds.

The assessed values upon which fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 63,877,130	89.54%	65,422,240	93.32%
Public Utility	3,852,750	5.40%	4,350,940	6.21%
Tangible Personal Property	<u>3,607,400</u>	5.06%	<u>334,510</u>	0.48%
Total Assessed Value	\$ <u><u>71,337,280</u></u>	100.00%	<u><u>70,107,690</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$54.70		\$55.77	

## 5. RISK MANAGEMENT

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

The School District participates in the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). 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".

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

This arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

The School District also participates in the Wood County Benefit Plan Association Employee Insurance Benefits Program, a group insurance purchasing pool (Note 13), 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.

**6. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance 7/1/09	Additions	Disposals	Balance 6/30/10
<b><i>Governmental Activities</i></b>				
<b>Nondepreciable:</b>				
Land	\$ 39,592	752,440	-	792,032
Construction in progress	-	1,409,087	-	1,409,087
<b>Depreciable:</b>				
Land improvements	191,758	-	-	191,758
Buildings and improvements	3,678,701	-	-	3,678,701
Vehicles	520,153	-	-	520,153
Equipment and furniture	276,440	17,730	(22,022)	272,148
Subtotal	<u>4,667,052</u>	<u>17,730</u>	<u>(22,022)</u>	<u>4,662,760</u>
Totals at historical cost	<u>4,706,644</u>	<u>2,179,257</u>	<u>(22,022)</u>	<u>6,863,879</u>
Less accumulated depreciation:				
Land improvements	191,758	-	-	191,758
Buildings and improvements	1,795,381	74,428	-	1,869,809
Vehicles	321,789	30,796	-	352,585
Equipment and furniture	197,681	16,413	(21,059)	193,035
Total accumulated depreciation	<u>2,506,609</u>	<u>121,637</u>	<u>(21,059)</u>	<u>2,607,187</u>
Capital assets, net	<u>\$ 2,200,035</u>	<u>2,057,620</u>	<u>(963)</u>	<u>4,256,692</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2010**

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Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 30,455
Special	6,950
Other instruction	465
Support services:	
Pupil	2,009
Instructional staff	7,354
Administration	6,548
Fiscal	1,802
Operation and maintenance of plant	7,981
Pupil transportation	37,057
Extracurricular activities	13,093
Food service	<u>5,715</u>
Total depreciation expense	<u>\$ 121,637</u>

**7. PENSION PLANS**

**School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2010, the allocation to pension and death benefits was 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were approximately as \$137,000, \$124,000, and \$127,000, respectively; 58% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 was recorded as a liability.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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### **State Teachers Retirement System**

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

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

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

## **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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

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

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

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

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

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

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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

Contribution requirements and the contributions actually made for fiscal year ended June 30, 2010 were 10% of covered payroll for members and 14% for employers. The School District's required contributions for the years ended June 30, 2010, 2009, and 2008, were approximately \$434,000, \$427,000, and \$423,000, respectively; 92% has been contributed for fiscal year 2010 and 100% for fiscal years 2009 and 2008. The unpaid contribution for fiscal year 2010 is recorded as a liability.

### **Social Security System**

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

## **8. POSTEMPLOYMENT BENEFITS**

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2010, 2009, and 2008. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contributions to STRS Ohio allocated to post-employment health care for the years June 30, 2010, 2009, and 2008 were approximately \$31,000, \$31,000, and \$30,000, respectively.

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2010

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SERS administers two postemployment benefit plans:

*Medicare B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was 0.76%. The School District contributions for the years ended June 30, 2010, 2009, and 2008 were \$7,000, \$6,000 and \$6,000, respectively.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation was 0.46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for the years ended June 30, 2010, 2009, and 2008 were approximately \$5,000, \$37,000, and \$30,000, respectively.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2010**

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.

**9. EMPLOYEE BENEFITS**

**Compensated Absences**

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

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 7/1/09	Additions	Reductions	Principal Outstanding 6/30/10	Amounts Due in One Year
<i>Governmental Activities:</i>					
Bond anticipation notes	\$ 1,820,000	-	(1,820,000)	-	-
2009 Classroom Facilities Improvement Bonds:					
General obligation bonds	-	1,970,000	-	1,970,000	10,000
Capital appreciation bonds	-	24,992	-	24,992	-
Accretion on CAB's	-	3,303	-	3,303	-
2009A School Facilities Improvement Bonds:					
General obligation bonds	-	7,910,000	-	7,910,000	135,000
Capital appreciation bonds	-	75,212	-	75,212	-
Accretion on CAB's	-	8,376	-	8,376	-
2009B School Facilities Improvement Bonds:					
General obligation bonds	-	1,610,000	-	1,610,000	20,000
Capital appreciation bonds	-	59,572	-	59,572	-
Premium on bond issues	-	454,959	-	454,959	-
Compensated absences	564,394	122,363	(47,263)	639,494	147,251
<b>Total</b>	<b>\$ 2,384,394</b>	<b>12,238,777</b>	<b>(1,867,263)</b>	<b>12,755,908</b>	<b>312,251</b>

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2010

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On October 28, 2009, the School District issued \$1,994,992 in Series 2009 classroom facilities improvement bonds to finance a portion of the School District's share of constructing a new middle/high school building and renovating an existing elementary school building. The projects are being undertaken in cooperation with the Ohio School Facilities Commission (OSFC) under the State of Ohio Classroom Facilities Assistance Program, where the OSFC has agreed to pay approximately 59% of the project costs. The bonds were issued with interest rates between 1.67% to 4.81% and a final maturity at September 30, 2025.

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

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

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

Principal and interest requirements to retire general obligation bonds, inclusive of interest accretion on capital appreciation bonds in the interest column, at June 30, 2010 are:

<u>Fiscal Year</u> <u>Ending June 30.</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$	165,000	227,549	392,549
2012		397,976	373,833	771,809
2013		412,419	388,087	800,506
2014		429,701	389,671	819,372
2015		433,934	383,971	817,905
2016-2020		2,163,896	2,058,894	4,222,790
2021-2025		2,906,850	1,461,519	4,368,369
2026-2030		1,620,000	1,040,218	2,660,218
2031-2035		1,805,000	623,013	2,428,013
2036-2038		<u>1,315,000</u>	<u>133,250</u>	<u>1,448,250</u>
Total	\$	<u>11,649,776</u>	<u>7,080,005</u>	<u>18,729,781</u>

## **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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#### **11. INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2010 consisted of a transfer of \$4,271 from the General Fund to Other Governmental Funds.

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

On the fund financial statements, the General Fund has receivables of \$4,874 due from Other Governmental Funds. These interfund loans were made to provide operating capital.

#### **12. 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.

#### **13. 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.

# **NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

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

**Year Ended June 30, 2010**

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### *Wood County Schools Health Insurance Consortium*

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

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Sky Insurance, 1695 Indian Wood Circle Maumee, Ohio 43537.

## **14. CONTINGENCIES**

### **Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

### **Litigation**

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

## **15. REQUIRED SET-ASIDES**

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set-aside at the discretion of the School District.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2010

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

	<u>Textbooks/ Technology</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2009	\$ -	-	22,287
Current year set-aside requirement	107,879	107,879	-
Current year qualifying expenditures	(4,514)	(933,407)	-
Elimination of reserve	-	-	(22,287)
Excess qualified expenditures from prior years	<u>(37,847)</u>	<u>-</u>	<u>-</u>
Total	<u>65,518</u>	<u>(825,528)</u>	<u>-</u>
Balance carried to FY2011	<u>65,518</u>	<u>-</u>	<u>-</u>
Set-aside reserve balance as of June 30, 2010	\$ <u>65,518</u>	<u>-</u>	<u>-</u>

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

### 16. INCOME TAXES

As approved by voters on May 8, 2007, the School District levies a 1% school income tax on earned income of residents of the School District, effective January 1, 2008 for a five-year period. 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, 2010, the School District recorded income tax revenue of \$589,919 in the entity-wide financials and a receivable as of June 30, 2010 of \$255,238.

## NORTH BALTIMORE LOCAL SCHOOL DISTRICT

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

General Fund

Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance <u>With Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 2,429,652	2,511,002	2,511,002	-
Tuition and fees	190,000	144,486	144,486	-
Interest	2,000	3,167	3,167	-
Intergovernmental	4,328,798	4,251,300	4,251,300	-
Other local revenues	<u>58,327</u>	<u>50,589</u>	<u>50,589</u>	-
<b>Total revenues</b>	<u>7,008,777</u>	<u>6,960,544</u>	<u>6,960,544</u>	-
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,727,268	2,542,329	2,542,329	-
Special education	983,713	1,028,032	1,028,032	-
Other instruction	711,362	704,217	704,217	-
Support services:				
Pupil	213,085	234,012	234,012	-
Instructional staff	402,188	413,015	413,015	-
Board of Education	115,906	181,044	181,044	-
Administration	625,094	593,332	593,332	-
Fiscal	271,981	291,499	291,499	-
Operation and maintenance of plant	651,539	655,023	655,023	-
Pupil transportation	325,681	300,880	300,880	-
Non-instructional services:				
Extracurricular activities	<u>142,617</u>	<u>167,052</u>	<u>167,052</u>	-
<b>Total expenditures</b>	<u>7,170,434</u>	<u>7,110,435</u>	<u>7,110,435</u>	-
Excess of revenues over expenditures	(161,657)	(149,891)	(149,891)	-
<b>Other financing sources (uses):</b>				
Transfers in	5,000	22,000	22,000	-
Transfers out	(50,000)	(26,271)	(26,271)	-
Other sources	-	58,601	58,601	-
Other uses	<u>-</u>	<u>(9,990)</u>	<u>(9,990)</u>	-
<b>Total other financing sources (uses):</b>	<u>(45,000)</u>	<u>44,340</u>	<u>44,340</u>	-
Net change in fund balance	(206,657)	(105,551)	(105,551)	-
Fund balance, beginning of year	1,710,193	1,710,193	1,710,193	
Prior year encumbrances appropriated	<u>35,322</u>	<u>35,322</u>	<u>35,322</u>	
Fund balance, end of year	\$ <u>1,538,858</u>	<u>1,639,964</u>	<u>1,639,964</u>	

See accompanying notes to required supplemental information.

# NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2010

## Note A Budgetary Basis of Accounting

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

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

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

		<u>General</u>
Net change in fund balance - GAAP Basis	\$	(148,197)
Increase / (decrease):		
Due to revenues		(83,017)
Due to expenditures		92,448
Due to other sources (uses)		48,611
Due to encumbrances		<u>(15,396)</u>
Net change in fund balance	\$	<u>(105,551)</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution)</i>				
National School Lunch Program	n/a	10.555	\$ 13,970	13,970
<i>Cash Assistance</i>				
School Breakfast Program	05PU-2010	10.553	12,279	12,279
National School Lunch Program	LLP4-2010	10.555	<u>102,427</u>	<u>102,427</u>
<i>Cash Assistance Subtotal</i>			<u>114,706</u>	<u>114,706</u>
Nutrition Cluster Total			<u>128,676</u>	<u>128,676</u>
Total U.S. Department of Agriculture			<u>128,676</u>	<u>128,676</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2009	84.010	-	18,128
Title I Grants to Local Educational Agencies	C1S1-2010	84.010	112,625	111,365
ARRA - Title I Grants to Local Educational Agencies	C1S1-2010	84.389	<u>46,415</u>	<u>42,882</u>
			<u>159,040</u>	<u>172,375</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2010	84.027	192,094	192,094
ARRA - Special Education - Grants to States	6BSF-2010	84.391	<u>186,768</u>	<u>191,539</u>
			<u>378,862</u>	<u>383,633</u>
Safe and Drug-Free Schools and Communities				
	DRS1-2010	84.186	2,461	2,461
Education Technology State Grants				
	TJS1-2010	84.318	1,220	1,220
Improving Teacher Quality State Grants				
	TRS1-2009	84.367	-	4,914
	TRS1-2010	84.367	<u>33,182</u>	<u>33,286</u>
			<u>33,182</u>	<u>38,200</u>
ARRA - State Fiscal Stabilization Fund				
	ARRA-2010	84.394	<u>239,782</u>	<u>216,187</u>
Total U.S. Department of Education			<u>814,547</u>	<u>814,076</u>
Total Federal Awards			\$ <u>943,223</u>	<u>942,752</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE C - NATIONAL SCHOOL LUNCH PROGRAM**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

To the Board of Education  
North Baltimore Local School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Local School District ("School District") as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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We noted certain matters that we reported to management of the School District in a separate letter dated December 10, 2010.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 10, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
North Baltimore Local School District:

Compliance

We have audited the North Baltimore Local School District's ("School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 10, 2010

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2010

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>Special Education Cluster:</i>	
<i>CFDA 84.027 – Grants to States</i>	
<i>CFDA 84.391 – Grants to States – ARRA</i>	
<i>State Fiscal Stabilization Fund – CFDA 84.394 - ARRA</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None



# Dave Yost • Auditor of State

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 3, 2011**