



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of North Baltimore Local School District, Wood County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2018 through June 30, 2020. 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. North Baltimore Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 21, 2021

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Wood County**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Baltimore Local School District, Wood County, Ohio (the District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Baltimore Local School District, Wood County, Ohio, as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the 2020 financial statements the financial impact of COVID-19 and the ensuing measures will impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, *Required budgetary comparison schedules*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
January 27, 2021

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited**

This discussion and analysis provides key information from management highlighting the overall financial performance of the North Baltimore Local School District for the fiscal year ended June 30, 2020. This is meant to be an easily readable summary of the most important financial information regarding the accompanying basic financial statements. Please read it in conjunction with the School District's basic financial statements.

Financial Highlights

Major financial highlights for fiscal year 2020 are listed below:

- ✓ The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$10,285,312. In total, net position increased by \$135,651.
- ✓ The School District had \$11,669,158 in expenses related to governmental activities; only \$1,183,999 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$10,620,810, made up primarily of property and income taxes, and State Foundation payments, provided the majority of funding for these programs.
- ✓ The General Fund balance increased by \$1,276,003 from \$3,769,909 at June 30, 2019 to \$5,045,912 at June 30, 2020.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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Unaudited**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at fiscal year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2020 and 2019:

	<u>FY2020</u>	<u>FY2019</u>
Assets:		
Current and other assets	\$ 13,145,060	11,771,950
Capital assets, net	<u>20,458,656</u>	<u>21,084,869</u>
Total assets	<u>33,603,716</u>	<u>32,856,819</u>
Deferred outflows of resources	<u>2,418,620</u>	<u>3,120,255</u>
Liabilities:		
Long-term liabilities:		
Net pension liability	8,794,160	8,734,868
Net OPEB liability	850,408	964,605
Other long-term liabilities	9,043,606	9,572,349
Other liabilities	<u>961,598</u>	<u>910,237</u>
Total liabilities	<u>19,649,772</u>	<u>20,182,059</u>
Deferred inflows of resources	<u>6,087,252</u>	<u>5,645,354</u>
Net position:		
Net investment in capital assets	12,580,920	12,659,605
Restricted:		
For capital purposes	195,048	125,771
Other purposes	399,359	244,334
Debt service	1,422,205	1,209,088
Unrestricted (deficit)	<u>(4,312,220)</u>	<u>(4,089,137)</u>
Total net position	<u>\$ 10,285,312</u>	<u>10,149,661</u>

The net pension liability is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems are responsible for the administration of the pension and OPEB plans.

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

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

A significant portion of the School District's net position (\$12,580,920) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the School District's net position (\$2,016,612) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position (deficit) at June 30, 2020 was (\$4,312,220). However, if the components of recording the net pension and OPEB liabilities are removed from the Statement of Net Position, the School District's unrestricted net position would be a positive \$4,178,346. We feel this is important to mention as the management of the School District has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension and OPEB liabilities that significantly impact the School District's financial statements.

Total assets increased by about \$747,000, or 2%, during fiscal year 2020. The increase in current and other assets is primarily related to increases in taxes receivable, due to the addition of the Rover Pipeline to the assessed valuations. This increase was partially offset by a decrease in capital assets, as depreciation expense exceeded current year additions.

Total liabilities decreased by approximately \$532,000, or 3%. Much of this decrease occurred due to decreases in long-term debt with the School District satisfying its annual debt service requirement and no new debt issuances during the fiscal year.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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B. Governmental Activities during fiscal year 2020

The following table presents a condensed summary of the School District's activities during fiscal year 2020 and 2019 and the resulting change in net position:

	<u>FY2020</u>	<u>FY2019</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 506,739	\$ 415,464
Operating grants and contributions	677,260	539,430
Total program revenues	<u>1,183,999</u>	<u>954,894</u>
General revenues:		
Property and income taxes	5,235,837	4,811,369
Grants and entitlements	4,620,624	4,607,137
Payment in lieu of taxes	500,486	454,089
Investment earnings	79,759	54,532
Miscellaneous	184,104	95,244
Total general revenues	<u>10,620,810</u>	<u>10,022,371</u>
Total revenues	<u>11,804,809</u>	<u>10,977,265</u>
Expenses:		
Instruction	6,701,677	5,682,939
Support services:		
Pupil	622,071	324,602
Instructional staff	246,050	207,969
Board of Education	127,991	102,062
Administration	703,049	627,914
Fiscal	387,980	422,219
Operation and maintenance of plant	1,440,658	1,256,997
Pupil transportation	234,690	369,756
Extracurricular activities	636,803	425,985
Interest and fiscal charges	241,206	268,950
Food services	326,983	336,224
Total expenses	<u>11,669,158</u>	<u>10,025,617</u>
Change in net position	135,651	951,648
Beginning net position	<u>10,149,661</u>	<u>9,198,013</u>
Ending net position	<u>\$ 10,285,312</u>	<u>\$ 10,149,661</u>

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Of the total governmental activities revenues of \$11,804,809, \$1,183,999 (10%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$5,235,837 (49%) comes from property and income taxes and \$4,620,624 (44%) is from state funding. The School District's operations are reliant upon its property and income taxes and the state's foundation program.

The School District's total revenue increased by about \$828,000, or 8%, during the fiscal year. The increase was attributable to increases in property taxes, associated with the addition of the Rover Pipeline to the assessed property valuations and receipt of Federal CARES Act funding for COVID-19 fiscal relief.

Total expenses increased by \$1.6 million, or 16%. Approximately \$1.3 million of this increase is related to changes in pension and OPEB expenses; recognizing \$817,000 in pension expense during fiscal year 2019 compared to \$1.3 million in pension expense during fiscal year 2020, and recognizing a \$900,000 decrease in *negative* OPEB expense. The financial performance of the state-wide retirement systems can vary significantly between years due to investment market fluctuations, changes in assumptions and differences between actuarial expectations and actual results, all of which are beyond the control of School District's management. After factoring out pension and OPEB expenses, expenses increased by about \$299,000 due to 2.25% wage raises, a 1% increase in insurance premiums and additional personnel.

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 10% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$6,701,677 but program revenue contributed to fund 12% of those costs. Thus, general revenues of \$5,900,822 were needed to support of remainder of the instruction costs.

Governmental Activities				
	Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$ 6,701,677	800,855	12%	5,900,822
Support services	3,762,489	67,125	2%	3,695,364
Non-instructional services	963,786	316,019	33%	647,767
Interest and fiscal charges	241,206	-	0%	241,206
Total	\$ 11,669,158	1,183,999	10%	10,485,159

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
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Unaudited**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has three major governmental funds: the General Fund and the Debt Service Fund. Assets of these two funds comprise \$12,134,331 (94%) of the total \$12,867,701 governmental funds' assets.

General Fund. Fund balance at June 30, 2020 was \$5,045,912, with an unassigned fund balance of \$4,866,004. The unassigned fund balance represents approximately 55% of current-year general fund expenditures. The General Fund increased by \$1,276,003, or 34%, due to increases in tax revenue, previously discussed, and payment in lieu of taxes that were previously accounted for in another fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. The General Fund budget remained flat during the fiscal year, while actual revenue coming in higher than budgeted. The General Fund absorbed grant-funded costs that were not reimbursed until after June 30, 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2020, the School District had \$20,458,656 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The decrease in the net capital assets was due to depreciation expense exceeding capital asset additions. See Note 7 to the basic financial statements for more detail.

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

		<u>FY2020</u>	<u>FY2019</u>
Land	\$	1,070,024	1,070,024
Land improvements		441,563	507,629
Buildings and improvements		17,358,443	17,882,160
Equipment and furniture		1,191,901	1,442,801
Vehicles		396,725	182,255
Total	\$	<u>20,458,656</u>	<u>21,084,869</u>

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Debt

During the year, the School District made its regularly scheduled payments on its Series 2009 classroom facilities improvement and Series 2016 refunding bonds. As of June 30, 2020, the School District's obligations for its bonds was \$7,531,682, which are payable over the next seventeen years.

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

ECONOMIC FACTORS

The area of school finance is always changing, property valuations, the unconstitutional state foundation formula, ADM counts, open enrollment polices, community and charter schools options. CSX's Northwest Ohio Inter-modal Rail Yard, that was opened in 2010 to create a national gateway connecting the Mid-Atlantic region to the Midwest, has decided to expand its presence. This may impact the local economy with possible future development of warehouse and storage facilities. Rover Pipeline has moved in and completed the construction of a natural gas pipeline. As of October 1, 2019, "Line 1 and Line 2" are fully operational through the Wood County area and School District revenues will be on the rise for fiscal year 2021. Northpoint Development has moved into the area and is currently under construction with a 600,000 square foot distribution facility. This will add 300-400 new jobs and provide additional tax revenue.

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

The School District passed a 2-mill renewal Permanent Improvement Levy for a continuing period on the November 2007 Ballot. The 8 mill Five-Year Renewal Operating Levy passed in March 2008 and was renewed as a Continuing Levy in May 2013. An 8.9 mill Continuing Replacement Levy was passed in May 2010 that helped keep the School District in a positive cash flow.

COVID-19 has presented a new set of challenges for the School District and its surrounding community. Although the revenue impacts are unknown at this time, management does expect some setbacks in the future, primarily with income tax collections, due to the increased unemployment. Additionally, the need for personal protection equipment and other related materials have increased our expenditures. The State also made budget cuts to the school foundation funding, but the School District is receiving CARES Act funding to help mitigate the immediate impact of those cuts.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the North Baltimore Local School District, 201 South Main Street, North Baltimore, Ohio 45872-1364.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 6,787,638
Receivables:	
Taxes	4,991,835
Accounts	6,254
Intergovernmental	831,917
Supplies inventory	5,819
Prepays	10,134
Net OPEB asset	511,463
Nondepreciable capital assets	1,070,024
Depreciable capital assets, net	<u>19,388,632</u>
Total assets	<u>33,603,716</u>
Deferred Outflows of Resources:	
Deferred charges	380,832
Pension	1,856,848
OPEB	<u>180,940</u>
Total deferred outflows of resources	<u>2,418,620</u>
Liabilities:	
Accounts payable	36,953
Accrued wages and benefits	766,081
Intergovernmental payable	108,638
Accrued interest payable	49,926
Noncurrent liabilities:	
Due within one year	601,362
Due more than one year:	
Net pension liability	8,794,160
Net OPEB liability	850,408
Other amounts due more than one year	<u>8,442,244</u>
Total liabilities	<u>19,649,772</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	4,207,003
Payment in lieu of taxes for next fiscal year	485,000
Pension	466,753
OPEB	<u>928,496</u>
Total deferred inflows of resources	<u>6,087,252</u>
Net Position:	
Net investment in capital assets	12,580,920
Restricted for:	
Capital projects	195,048
Other purposes	399,359
Debt service	1,422,205
Unrestricted (deficit)	<u>(4,312,220)</u>
Total net position	<u>\$ 10,285,312</u>

See accompanying notes to the financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Activities
Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,740,588	\$ 326,828	\$ 41,434	\$ (4,372,326)
Special education	1,556,676	-	349,891	(1,206,785)
Other	404,413	-	82,702	(321,711)
Support services:				
Pupil	622,071	-	34,843	(587,228)
Instructional staff	246,050	-	5,400	(240,650)
Board of Education	127,991	-	-	(127,991)
Administration	703,049	-	-	(703,049)
Fiscal	387,980	-	-	(387,980)
Operation and maintenance of plant	1,440,658	-	26,882	(1,413,776)
Pupil transportation	234,690	-	-	(234,690)
Non-instructional services:				
Extracurricular activities	636,803	99,552	-	(537,251)
Food service	326,983	80,359	136,108	(110,516)
Interest and fiscal charges	241,206	-	-	(241,206)
Total Governmental Activities	<u>\$ 11,669,158</u>	<u>\$ 506,739</u>	<u>\$ 677,260</u>	<u>(10,485,159)</u>

General Revenues:

Property taxes, levied for general purposes	3,324,541
Property taxes, levied for debt services	696,340
Property taxes, levied for capital projects	138,644
Income taxes	1,076,312
Grants and entitlements not restricted to specific programs	4,620,624
Payment in lieu of taxes	500,486
Investment earnings	79,759
Miscellaneous	184,104
Total general revenues	<u>10,620,810</u>
Change in net position	135,651
Net position beginning of year	<u>10,149,661</u>
Net position end of year	<u>\$ 10,285,312</u>

See accompanying notes to the financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Balance Sheet
Governmental Funds
June 30, 2020

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,902,595	\$ 1,408,044	\$ 476,999	\$ 6,787,638
Receivables:				
Taxes	3,960,352	877,636	153,847	4,991,835
Accounts	6,254	-	-	6,254
Intergovernmental	735,212	-	96,705	831,917
Prepays	10,134	-	-	10,134
Materials and supplies inventory	-	-	5,819	5,819
Interfund receivable	234,104	-	-	234,104
Total assets	<u>\$ 9,848,651</u>	<u>\$ 2,285,680</u>	<u>\$ 733,370</u>	<u>\$ 12,867,701</u>
Liabilities:				
Accounts payable	\$ 36,953	\$ -	\$ -	\$ 36,953
Accrued wages and benefits	741,391	-	24,690	766,081
Intergovernmental payable	104,939	-	3,699	108,638
Interfund payable	-	-	234,104	234,104
Compensated absences payable	12,568	-	-	12,568
Total liabilities	<u>895,851</u>	<u>-</u>	<u>262,493</u>	<u>1,158,344</u>
Deferred Inflows of Resources:				
Taxes levied for next fiscal year	3,333,486	734,554	138,963	4,207,003
Payment in lieu of taxes for next fiscal year	485,000	-	-	485,000
Unavailable revenue	88,402	22,178	97,556	208,136
Total deferred inflows of resources	<u>3,906,888</u>	<u>756,732</u>	<u>236,519</u>	<u>4,900,139</u>
Fund Balances:				
Nonspendable	10,134	-	5,819	15,953
Restricted	-	1,528,948	491,032	2,019,980
Assigned	169,774	-	-	169,774
Unassigned (Deficit)	4,866,004	-	(262,493)	4,603,511
Total fund balances	<u>5,045,912</u>	<u>1,528,948</u>	<u>234,358</u>	<u>6,809,218</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,848,651</u>	<u>\$ 2,285,680</u>	<u>\$ 733,370</u>	<u>\$ 12,867,701</u>

See accompanying notes to the financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balances		\$ 6,809,218
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,458,656
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		208,136
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(7,610,677)	
Premium on bond issue	(726,886)	
Accrued interest payable	(49,926)	
Compensated absences	<u>(693,475)</u>	(9,080,964)
Deferred outflows of resources from refunding of bonds are amortized over the life of the bonds and are not reported in the funds.		380,832
The net pension and OPEB liabilities are not due and payable in the current period. The net OPEB asset is not available to pay for current-period expenditures. Therefore, the asset, liabilities and related deferrals are not reported in the governmental funds:		
Deferred outflows - pension	1,856,848	
Deferred inflows - pension	(466,753)	
Net pension liability	(8,794,160)	
Deferred outflows - OPEB	180,940	
Deferred inflows - OPEB	(928,496)	
Net OPEB asset	511,463	
Net OPEB liability	<u>(850,408)</u>	<u>(8,490,566)</u>
Net Position of Governmental Activities		\$ <u><u>10,285,312</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2020

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 4,145,342	\$ 925,658	\$ 161,162	\$ 5,232,162
Tuition and fees	326,828	-	-	326,828
Interest	78,690	-	1,069	79,759
Charges for services	-	-	80,359	80,359
Extracurricular activities	42,158	-	57,394	99,552
Intergovernmental	4,526,324	81,245	645,123	5,252,692
Payment in lieu of taxes	500,486	-	-	500,486
Contributions and donations	23,544	-	6,502	30,046
Other local revenues	164,632	-	1,189	165,821
Total revenues	<u>9,808,004</u>	<u>1,006,903</u>	<u>952,798</u>	<u>11,767,705</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,591,612	-	-	3,591,612
Special education	1,253,194	-	245,373	1,498,567
Other instruction	309,048	-	84,942	393,990
Support services:				
Pupil	578,343	-	35,110	613,453
Instructional staff	217,975	-	5,400	223,375
Board of Education	127,824	-	-	127,824
Administration	668,692	-	-	668,692
Fiscal	373,321	10,195	526	384,042
Operation and maintenance of plant	1,144,306	-	580,203	1,724,509
Pupil transportation	358,482	-	-	358,482
Non-instructional services:				
Extracurricular activities	286,986	-	69,135	356,121
Community service	-	-	3,500	3,500
Food service	-	-	320,019	320,019
Capital outlay	-	-	41,067	41,067
Debt Service:				
Principal	-	514,605	-	514,605
Interest and fiscal charges	-	290,713	-	290,713
Total expenditures	<u>8,909,783</u>	<u>815,513</u>	<u>1,385,275</u>	<u>11,110,571</u>
Excess (deficiency) of revenues over/(under) expenditures	<u>898,221</u>	<u>191,390</u>	<u>(432,477)</u>	<u>657,134</u>
Other financing sources (uses):				
Transfers in	413,857	-	36,075	449,932
Transfers out	(36,075)	-	(413,857)	(449,932)
Total other financing sources (uses):	<u>377,782</u>	<u>-</u>	<u>(377,782)</u>	<u>-</u>
Net change in fund balance	1,276,003	191,390	(810,259)	657,134
Fund balance, beginning of year	3,769,909	1,337,558	1,044,617	6,152,084
Fund balance, end of year	<u>\$ 5,045,912</u>	<u>\$ 1,528,948</u>	<u>\$ 234,358</u>	<u>\$ 6,809,218</u>

See accompanying notes to the financial statements.

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 657,134

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense:

Net Capital asset additions and disposals	558,350	
Depreciation expense	<u>(1,184,563)</u>	(626,213)

Revenues in the statement of activities that do not provide current financial
current financial resources are not reported as revenues in the funds. 41,706

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

Compensated absences	(112,118)	
Interest on long-term debt	1,165	
Amortization of deferred charges	(21,762)	
Amortization of bond premiums	54,685	
Net accretion on capital appreciation bonds	<u>15,419</u>	(62,611)

Principal paid on long-term debt is recorded as an expenditure on the fund
financial statements and recorded as a reduction of the long-term liability in
the government-wide statements. 514,605

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

Pension	710,564	
OPEB	<u>22,332</u>	732,896

Except for amounts reported as deferred outflows or inflows of resources, changes
in the net pension and OPEB liabilities are reported as pension expense and
negative OPEB expense in the statement of activities:

Pension	(1,262,068)	
OPEB	<u>140,202</u>	<u>(1,121,866)</u>

Change in Net Position of Governmental Activities \$ 135,651

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

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	\$ <u>33,105</u>
Total assets	<u>33,105</u>
LIABILITIES	
Due to student groups	<u>33,105</u>
Total liabilities	\$ <u>33,105</u>

See accompanying notes to the financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

1. REPORTING ENTITY

North Baltimore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services to approximately 700 students and community members as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities.

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

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Ohio Schools Council, the Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Ratings Plan, and the Wood County Schools Benefit Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Basis of Presentation – *continued*

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

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

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

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

Fund Accounting

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Fund Accounting – *continued*

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

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

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

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

Basis of Accounting

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

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

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Basis of Accounting – *continued*

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

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

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2020, but are intended to finance 2021 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 8 and 9).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension and OPEB are reported on the government-wide of net position (see Notes 8 and 9).

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool and individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements. The School District allocates interest earnings according to State statutes.

During fiscal year 2020, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2020, which approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the rights to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Inventory and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Capital Assets – *continued*

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Interfund Transactions

On fund financials, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities’ column of the statement of net position. Interfund transfers are reported as other financing sources/uses in the governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Fund Balance – *continued*

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

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

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Estimates

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

3. DEPOSITS AND INVESTMENTS

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

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

3. DEPOSITS AND INVESTMENTS—*continued*

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

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

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

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

3. DEPOSITS AND INVESTMENTS—*continued*

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

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At fiscal year-end, none of the School District's bank balance of \$534,326 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 or the Treasurer of State's Ohio Pooled Collateral System (OPCS). ORC Chapter 135 authorizes pledging of pooled securities in lieu of specific securities.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured, or at least 102 percent, if the financial institution participates in the OPCS.

Investments

The School District's investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form. The net asset value, which approximates fair value, of the School District's investment in STAR Ohio is \$6,568,030 at June 30, 2020.

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

3. DEPOSITS AND INVESTMENTS—*continued*

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

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

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019 on the assessed values listed as of the prior January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Wood and Hancock Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020 are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2020 for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 is levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2020 were \$335,247 in the General Fund, \$70,100 in the Debt Service Fund, and \$14,033 in Other Governmental Funds.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

4. PROPERTY TAXES—continued

The assessed values upon which fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 91,369,340	84.89%	\$ 93,184,160	67.45%
Public Utility	16,259,740	15.11%	44,958,950	32.55%
Total Assessed Value	<u>\$ 107,629,080</u>	100.00%	<u>\$ 138,143,110</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$55.40		\$54.60	

5. INCOME TAXES

As approved by voters in May 2015, the School District levies a 1% school income tax on earned income of residents of the School District, ending November 2022. An additional .25% income tax was approved by the voters on May 5, 2010 for the purpose of paying the School District's share of the OSFC project. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2020, the School District recorded income tax revenue of \$1,076,312 in the entity-wide financials and a receivable as of June 30, 2020 of \$338,022.

6. RISK MANAGEMENT

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

The School District participates in the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of reduced premiums for the School District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are calculated and each participant's individual performance is compared to the overall savings percentage of the GRP and the participant either receives money from or is required to contribute to the "Equity Pooling Fund".

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

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020

6. RISK MANAGEMENT—continued

The School District also participates in the Wood County Schools Benefit Plan, a group insurance purchasing pool (Note 15), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance 7/1/19	Additions	Disposals	Balance 6/30/20
Governmental Activities				
Nondepreciable:				
Land	\$ 1,070,024	\$ -	\$ -	\$ 1,070,024
Depreciable:				
Land improvements	1,202,856	-	-	1,202,856
Buildings and improvements	26,044,657	216,371	-	26,261,028
Vehicles	568,604	241,249	-	809,853
Equipment and furniture	3,151,042	105,332	(15,781)	3,240,593
Library books and materials	765,895	-	-	765,895
Subtotal	<u>31,733,054</u>	<u>562,952</u>	<u>(15,781)</u>	<u>32,280,225</u>
Totals at historical cost	<u>32,803,078</u>	<u>562,952</u>	<u>(15,781)</u>	<u>33,350,249</u>
Less accumulated depreciation:				
Land improvements	(695,227)	(66,066)	-	(761,293)
Buildings and improvements	(8,162,497)	(740,088)	-	(8,902,585)
Vehicles	(386,349)	(26,779)	-	(413,128)
Equipment and furniture	(1,708,241)	(351,630)	11,179	(2,048,692)
Library books and materials	(765,895)	-	-	(765,895)
Total accumulated depreciation	<u>(11,718,209)</u>	<u>(1,184,563)</u>	<u>11,179</u>	<u>(12,891,593)</u>
Capital assets, net	<u>\$ 21,084,869</u>	<u>\$ (621,611)</u>	<u>\$ (4,602)</u>	<u>\$ 20,458,656</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 800,464
Special education	586
Support services:	
Instructional staff	11,427
Administration	824
Operation and maintenance of plant	74,599
Pupil transportation	22,873
Extracurricular activities	265,869
Food service	7,921
Total depreciation expense	<u>\$ 1,184,563</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

8. PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

8. PENSION PLANS – *continued*

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020 the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The School District’s contractually required contribution to SERS was \$179,364 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

8. PENSION PLANS—*continued*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

8. PENSION PLANS—continued

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$531,200 for fiscal year 2020. Of this amount, \$85,608 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and negative pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 1,965,016	\$ 6,829,144	\$ 8,794,160
Proportion of the Net Pension Liability	0.03284%	0.03088%	
Change in Proportion	-0.00144%	0.00008%	
Pension Expense	\$ 221,949	\$ 1,040,119	\$ 1,262,068

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

8. PENSION PLANS—continued

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 49,828	\$ 55,601	\$ 105,429
Change in assumptions	-	802,214	802,214
Change in School District's proportionate share and difference in employer contributions	15,534	223,107	238,641
School District's contributions subsequent to the measurement date	<u>179,364</u>	<u>531,200</u>	<u>710,564</u>
Total Deferred Outflows of Resources	<u>\$ 244,726</u>	<u>\$ 1,612,122</u>	<u>\$ 1,856,848</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ (29,562)	\$ (29,562)
Net difference between projected and actual earnings on pension plan investments	(25,223)	(333,771)	(358,994)
Change in School District's proportionate share and difference in employer contributions	<u>(78,197)</u>	<u>-</u>	<u>(78,197)</u>
Total Deferred Inflows of Resources	<u>\$ (103,420)</u>	<u>\$ (363,333)</u>	<u>\$ (466,753)</u>

\$710,564 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 6,815	\$ 574,865	\$ 581,680
2022	(57,500)	124,491	66,991
2023	(1,678)	(27,392)	(29,070)
2024	14,305	45,625	59,930
	<u>\$ (38,058)</u>	<u>\$ 717,589</u>	<u>\$ 679,531</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

8. PENSION PLANS—*continued*

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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

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

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

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8. PENSION PLANS—continued

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

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

Discount Rate – Total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,753,689	\$1,965,016	\$1,303,614

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8. PENSION PLANS—continued

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0%

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

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

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

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

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8. PENSION PLANS—continued

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,980,034	\$6,829,144	\$4,161,755

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS

Net OPEB Liability (Asset)

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

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, there was no portion allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, the minimum compensation amount was \$19,600. 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 2020, the School District's surcharge obligation was \$22,332.

Plan Description - State Teachers Retirement System (STRS)

Plan Description—The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 850,408	\$ (511,463)	\$ 338,945
Proportion of the Net OPEB Liability/(Asset)	0.03382%	0.03088%	
Change in Proportion	-0.00095%	0.00008%	
(Negative) OPEB Expense	\$ 12,554	\$ (152,756)	\$ (140,202)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 12,485	\$ 46,368	\$ 58,853
Net difference between projected and actual earnings on OPEB plan investments	2,041	-	2,041
Change in assumptions	62,111	10,752	72,863
Change in School District's proportionate share and difference in employer contributions	5,108	19,743	24,851
School District's contributions subsequent to the measurement date	<u>22,332</u>	<u>-</u>	<u>22,332</u>
Total Deferred Outflows of Resources	<u>\$ 104,077</u>	<u>\$ 76,863</u>	<u>\$ 180,940</u>

Deferred Inflows of Resources			
Differences between expected and actual experience	\$ (186,830)	\$ (26,021)	\$ (212,851)
Net difference between projected and actual earnings on OPEB plan investments	-	(32,123)	(32,123)
Change in assumptions	(47,656)	(560,759)	(608,415)
Change in School District's proportionate share and difference in employer contributions	<u>(75,107)</u>	<u>-</u>	<u>(75,107)</u>
Total Deferred Inflows of Resources	<u>\$ (309,593)</u>	<u>\$ (618,903)</u>	<u>\$ (928,496)</u>

\$22,332 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021.

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

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ (59,890)	\$ (118,250)	\$ (178,140)
2022	(41,284)	(118,250)	(159,534)
2023	(40,685)	(105,376)	(146,061)
2024	(40,782)	(100,858)	(141,640)
2025	(34,283)	(100,858)	(135,141)
2026	(10,924)	1,552	(9,372)
	<u>\$ (227,848)</u>	<u>\$ (542,040)</u>	<u>\$ (769,888)</u>

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
Municipal Bond Index Rate:	
Prior Measurement Date	3.62%
Measurement Date	3.13%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	3.70%
Measurement Date	3.22%
Medical Trend Assumption:	
Pre-Medicare	7.00% - 4.75%
Medicare	5.25% - 4.75%

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability at June 30, 2018 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13% as of June 30, 2019 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.22%, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22%) and one percentage point higher (4.22%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$1,032,234	\$850,408	\$705,835

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

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) and one percentage point higher (8.00% decreasing to 5.75%) than the current rates.

	1% Decrease 6.00% decreasing to 3.75%)	Current Trend Rate 7.00% decreasing to 4.75%)	1% Increase 8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$681,349	\$850,408	\$1,074,708

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.98%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate – The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB (asset) calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB (asset)	(\$436,432)	(\$511,463)	(\$574,547)

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

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB (asset)	(\$579,976)	(\$511,463)	(\$427,552)

10. EMPLOYEE BENEFITS

Compensated Absences

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

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2020 were as follows:

	<u>Principal Outstanding</u>			<u>Principal Outstanding</u>		<u>Amounts Due in One Year</u>
	7/1/19	Additions	Reductions	6/30/20		
<i>Governmental Activities:</i>						
2009 Classroom Facilities Improvement Bonds:						
General obligation bonds	\$ 1,090,000	\$ -	\$ (140,000)	\$ 950,000	\$ 155,000	
Capital appreciation bonds	2,883	-	(1,031)	1,852	1,050	
Accretion on CAB's	34,125	9,122	(13,969)	29,278	-	
2009A School Facilities Improvement Bonds:						
General obligation bonds	1,345,000	-	(215,000)	1,130,000	220,000	
Capital appreciation bonds	3,574	-	(3,574)	-	-	
Accretion on CAB's	27,894	3,532	(31,426)	-	-	
2009B School Facilities Improvement Bonds:						
General obligation bonds	980,000	-	(125,000)	855,000	130,000	
2016 School Facilities Refunding Bonds:						
General obligation bonds	4,585,000	-	(30,000)	4,555,000	65,000	
Capital appreciation bonds	39,830	-	-	39,830	-	
Accretion on CAB's	32,395	17,322	-	49,717	-	
Premium on bond issues	781,571	-	(54,685)	726,886	-	
Compensated absences	650,077	93,592	(37,626)	706,043	30,312	
	<u>\$ 9,572,349</u>	<u>\$ 123,568</u>	<u>\$ (652,311)</u>	<u>\$ 9,043,606</u>	<u>\$ 601,362</u>	

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

11. LONG-TERM OBLIGATIONS – *continued*

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

Also on October 28, 2009, the School District issued \$7,985,212 in Series 2009A school facilities improvement bonds to pay for the costs of certain locally funded initiatives, including site acquisition for the new middle/high school building and building improvements for additional classroom space and facilities. On November 3, 2016, a portion of these bonds were advanced refunded with Series 2016 School Improvement Refunding Bonds. The remaining bonds have interest rates between 4.22% to 4.50% and a final maturity at September 30, 2024.

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

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

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

Principal and interest requirements to retire general obligation bonds, inclusive of interest accretion on capital appreciation bonds in the interest column, at June 30, 2020 are:

Fiscal Year Ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$	571,050	234,590	805,640
2022		580,801	222,991	803,792
2023		566,783	211,316	778,099
2024		578,308	199,477	777,785
2025		584,740	187,257	771,997
2026-2030		1,670,000	747,540	2,417,540
2031-2035		1,755,000	426,100	2,181,100
2036-2038		1,225,000	74,500	1,299,500
Total	\$	<u>7,531,682</u>	<u>2,303,771</u>	<u>9,835,453</u>

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020

11. LONG-TERM OBLIGATIONS – *continued*

The Ohio Revised Code provides that voted net general obligation debt of a school district should never exceed 9% of its total assessed valuation. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the school district. The School District's voted legal debt margin was \$5,853,050, with an unvoted debt margin of \$138,143 at June 30, 2020.

12. FUND BALANCES

Fund balance is classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepaid items	\$ 10,134	\$ -	\$ -	\$ 10,134
Inventory	-	-	5,819	5,819
<i>Total Nonspendable</i>	<u>10,134</u>	<u>-</u>	<u>5,819</u>	<u>15,953</u>
<i>Restricted for</i>				
Local Grant Programs	-	-	68,397	68,397
Classroom Maintenance	-	-	72,254	72,254
Athletics	-	-	14,330	14,330
State Grant Programs	-	-	41,434	41,434
Federal Grant Programs	-	-	100,420	100,420
Debt Service Payments	-	1,528,948	-	1,528,948
Capital Improvements	-	-	194,197	194,197
<i>Total Restricted</i>	<u>-</u>	<u>1,528,948</u>	<u>491,032</u>	<u>2,019,980</u>
<i>Assigned to</i>				
Public School Support	29,568	-	-	29,568
Encumbrances	140,206	-	-	140,206
<i>Total Assigned</i>	<u>169,774</u>	<u>-</u>	<u>-</u>	<u>169,774</u>
<i>Unassigned (Deficit)</i>	<u>4,866,004</u>	<u>-</u>	<u>(262,493)</u>	<u>4,603,511</u>
<i>Total Fund Balance</i>	<u>\$5,045,912</u>	<u>\$1,528,948</u>	<u>\$ 234,358</u>	<u>\$ 6,809,218</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

13. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2020 consisted of the following interfund receivables/payables and transfers in/out:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 234,104	\$ -	\$ 413,857	\$ 36,075
Other Governmental Funds	-	234,104	36,075	413,857
	<u>\$ 234,104</u>	<u>\$ 234,104</u>	<u>\$ 449,932</u>	<u>\$ 449,932</u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Also during the fiscal year, the Other Local Grants Fund returned payments in lieu of taxes to the General Fund.

14. JOINTLY GOVERNED ORGANIZATIONS

The Northwest Ohio Area Computer Services Cooperative (NOACSC)

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

Ohio Schools Council (OSC)

OSC is a consortium of 249 school districts, educational service centers, joint vocational districts and Development Disabilities boards in 34 northern Ohio counties. OSC exists for the purpose of obtaining top quality products and services at the most competitive price through cooperative purchasing. OSC offers group purchasing programs in the areas of electricity, natural gas, insurance, commodities, and a host of other goods and services. Formed in 1986 under Ohio Revised Code Section 167 as a regional council of governments by 53 school districts, OSC is managed by a governing board of nine superintendents from member districts.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

15. INSURANCE PURCHASING POOLS

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

The School District participates in the Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Wood County Schools Benefit Plan

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

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

16. CONTINGENCIES AND COMMITMENTS

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are finalized. As of the date of this report, additional adjustments for fiscal year 2020 are finalized. The impact of the adjustments does not have a material impact on the School District's financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

16. CONTINGENCIES AND COMMITMENTS—*continued*

Litigation

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

Encumbrances

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District's outstanding encumbrance amounts at June 30, 2020 were:

General Fund	\$ 177,159
Other Governmental Funds	<u>458</u>
	<u>\$ 177,617</u>

COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures impacted the second half of fiscal year 2020 and will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

17. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2020, the following funds had a deficit fund balance:

Food Service	\$ 176,946
Non-competitive Supplemental School Improvement	32,500
Title I	20,198
Supporting Effective Instruction Grant	22,591
Student Support and Acedemic Enrichment	10,258

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

Compliance

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2020**

18. REQUIRED SET-ASIDES

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end. The following cash basis information describes the change in the year-end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

		<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2019	\$	-
Current year set-aside requirement		119,384
Current year offsets		<u>(119,384)</u>
Total	\$	<u>-</u>
Set-aside reserve balance as of June 30, 2020	\$	<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.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 3,941,660	3,941,660	4,420,186	478,526
Tuition and fees	244,832	244,832	326,828	81,996
Interest	54,532	54,532	28,995	(25,537)
Intergovernmental	4,409,468	4,409,468	4,261,601	(147,867)
Other local revenues	2,147	2,147	444,410	442,263
Total revenues	<u>8,652,639</u>	<u>8,652,639</u>	<u>9,482,020</u>	<u>829,381</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,548,898	3,548,898	3,577,495	(28,597)
Special education	1,317,522	1,317,522	1,293,692	23,830
Other instruction	409,163	409,163	308,580	100,583
Support services:				
Pupil	374,222	374,222	574,209	(199,987)
Instructional staff	195,187	195,187	258,770	(63,583)
Board of Education	110,575	110,575	138,520	(27,945)
Administration	709,225	709,225	645,983	63,242
Fiscal	417,757	417,757	373,098	44,659
Operation and maintenance of plant	1,071,800	1,071,800	1,243,753	(171,953)
Pupil transportation	444,553	444,553	389,055	55,498
Non-instructional services:				
Extracurricular activities	232,119	232,119	239,843	(7,724)
Total expenditures	<u>8,831,021</u>	<u>8,831,021</u>	<u>9,042,998</u>	<u>(211,977)</u>
Excess (deficiency) of revenues over (under) expenditures	(178,382)	(178,382)	439,022	617,404
Other financing sources (uses):				
Transfers in	30,000	30,000	448,802	418,802
Transfers out	(40,500)	(40,500)	(75,023)	(34,523)
Other sources	3,624	3,624	57,181	(53,557)
Total other financing sources (uses):	<u>(6,876)</u>	<u>(6,876)</u>	<u>430,960</u>	<u>330,722</u>
Net change in fund balance	(185,258)	(185,258)	869,982	948,126
Fund balance, beginning of year	3,972,063	3,972,063	3,972,063	
Prior year encumbrances appropriated	90,211	90,211	90,211	
Fund balance, end of year	\$ <u>3,877,016</u>	<u>3,877,016</u>	<u>4,932,256</u>	

See accompanying notes to required supplementary information.

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

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

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0348%	\$ 2,071,823	\$ 988,259	209.64%	65.52%
2015	0.0348%	1,763,233	1,022,619	172.42%	71.70%
2016	0.0369%	2,108,220	1,256,571	167.78%	69.16%
2017	0.0361%	2,643,290	1,404,929	188.14%	62.98%
2018	0.0373%	2,225,848	1,299,436	171.29%	69.50%
2019	0.0343%	1,963,350	1,079,585	181.86%	71.36%
2020	0.0328%	1,965,016	1,222,244	160.77%	70.85%

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

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

Notes to Schedule:

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

Changes of benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

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

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

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0296%	\$ 8,578,829	\$ 3,286,431	261.04%	69.30%
2015	0.0296%	7,201,878	3,257,908	221.06%	74.70%
2016	0.0282%	7,786,138	2,903,143	268.20%	72.09%
2017	0.0302%	10,095,110	3,067,764	329.07%	66.78%
2018	0.0305%	7,251,075	3,437,879	210.92%	75.30%
2019	0.0308%	6,771,518	3,676,750	184.17%	77.30%
2020	0.0309%	6,829,144	3,694,743	184.83%	77.40%

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

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

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

Required Supplementary Information
Schedule of School District's Pension Contributions
School Employees Retirement System of Ohio
Last Eight Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 136,775	\$ (136,775)	\$ -	\$ 988,259	13.84%
2014	141,735	(141,735)	-	1,022,619	13.86%
2015	165,616	(165,616)	-	1,256,571	13.18%
2016	196,690	(196,690)	-	1,404,929	14.00%
2017	181,921	(181,921)	-	1,299,436	14.00%
2018	145,744	(145,744)	-	1,079,585	13.50%
2019	165,003	(165,003)	-	1,222,244	13.50%
2020	179,364	(179,364)	-	1,281,171	14.00%

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

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

Required Supplementary Information
Schedule of School District's Pension Contributions
State Teachers Retirement System of Ohio
Last Eight Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 427,236	\$ (427,236)	\$ -	\$3,286,431	13.00%
2014	423,528	(423,528)	-	3,257,908	13.00%
2015	406,440	(406,440)	-	2,903,143	14.00%
2016	429,487	(429,487)	-	3,067,764	14.00%
2017	481,303	(481,303)	-	3,437,879	14.00%
2018	514,745	(514,745)	-	3,676,750	14.00%
2019	517,264	(517,264)	-	3,694,743	14.00%
2020	531,200	(531,200)	-	3,794,286	14.00%

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

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

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

	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0365%	\$ 1,040,823	\$ 1,404,929	74.08%	11.49%
2018	0.0376%	1,008,477	1,299,436	77.61%	12.46%
2019	0.0348%	964,605	1,079,585	89.35%	13.57%
2020	0.0338%	850,408	1,222,244	69.58%	15.57%

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

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

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

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net OPEB Liability (Asset)

State Teachers Retirement System of Ohio

Last Four Fiscal Years (1) (2)

	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.0302%	\$ 1,612,908	\$ 3,067,764	52.58%	37.3%
2018	0.0305%	1,190,939	3,437,879	34.64%	47.1%
2019	0.0308%	(494,872)	3,676,750	(13.46%)	176.0%
2020	0.0309%	(511,463)	3,694,743	(13.84%)	174.7%

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

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

Notes to Schedule:

Change in assumption. For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For measurement year 2019, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

Required Supplementary Information
Schedule of School District's OPEB Contributions
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 18,119	\$ (18,119)	\$ -	\$ 1,404,929	1.29%
2017	19,431	(19,431)	-	1,299,436	1.50%
2018	24,144	(24,144)	-	1,079,585	2.24%
2019	27,500	(27,500)	-	1,222,244	2.25%
2020	22,332	(22,332)	-	1,281,171	1.74%

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

(2) Includes Surcharge

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

Required Supplementary Information
Schedule of School District's OPEB Contributions
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016 \$	-	\$ -	\$ -	\$ 3,067,764	0.00%
2017	-	-	-	3,437,879	0.00%
2018	-	-	-	3,676,750	0.00%
2019	-	-	-	3,694,743	0.00%
2020	-	-	-	3,794,286	0.00%

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

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

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

Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2020

Note A Budgetary Basis of Accounting

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

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 1,276,003
Increase / (decrease):	
Due to inclusion of Public School Support Fund	(988)
Due to revenues	(324,996)
Due to expenditures	43,944
Due to other sources (uses)	53,178
Due to encumbrances	<u>(177,159)</u>
Net change in fund balance - Budget Basis	\$ <u>869,982</u>

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**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited**

This discussion and analysis provides key information from management highlighting the overall financial performance of the North Baltimore Local School District for the fiscal year ended June 30, 2019. This is meant to be an easily readable summary of the most important financial information regarding the accompanying basic financial statements. Please read it in conjunction with the School District's basic financial statements.

Financial Highlights

Major financial highlights for fiscal year 2019 are listed below:

- ✓ The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$10,149,661. In total, net position increased by \$951,648.
- ✓ The School District had \$10,025,617 in expenses related to governmental activities; only \$954,894 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$10,022,371, made up primarily of property and income taxes, and State Foundation payments, provided the majority of funding for these programs.
- ✓ The General Fund balance decreased by \$283,179 from \$4,053,088 at June 30, 2018 to \$3,769,909 at June 30, 2019.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may establish separate funds to show that it is meeting legal requirements for using grants or other money.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at fiscal year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2019 and 2018:

	<u>FY2019</u>	<u>FY2018</u>
Assets:		
Current and other assets	\$ 11,771,950	10,842,768
Capital assets, net	<u>21,084,869</u>	<u>21,537,952</u>
Total assets	<u>32,856,819</u>	<u>32,380,720</u>
Deferred outflows of resources	<u>3,120,255</u>	<u>3,799,859</u>
Liabilities:		
Long-term liabilities:		
Net pension liability	8,734,868	9,476,923
Net OPEB liability	964,605	2,199,416
Other long-term liabilities	9,572,349	10,120,814
Other liabilities	<u>910,237</u>	<u>905,628</u>
Total liabilities	<u>20,182,059</u>	<u>22,702,781</u>
Deferred inflows of resources	<u>5,645,354</u>	<u>4,279,785</u>
Net position:		
Net investment in capital assets	12,659,605	12,671,650
Restricted:		
For capital purposes	125,771	400,909
Other purposes	244,334	210,159
Debt service	1,209,088	658,974
Unrestricted (deficit)	<u>(4,089,137)</u>	<u>(4,743,679)</u>
Total net position	<u>\$ 10,149,661</u>	<u>9,198,013</u>

The net pension liability is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Another significant liability for the School District is the net other postemployment benefits (OPEB) liability, reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems are responsible for the administration of the pension and OPEB plans.

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

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

A significant portion of the School District's net position of \$12,659,605 reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the School District's net position of \$1,579,193 represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position (deficit) at June 30, 2019 was (\$4,089,137). However, if the components of recording the net pension and OPEB liabilities are removed from the Statement of Net Position, the School District's unrestricted net position would be a positive \$4,012,459. We feel this is important to mention as the management of the School District has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension and OPEB liabilities that significantly impact the School District's financial statements.

Total assets increased by about \$476,000, or 1%, during fiscal year 2019. The increase in current and other assets is primarily related to increases in taxes receivable, due to a recent reappraisal by the Wood County Auditor that increased assessed valuations, and recognition of a net OPEB asset (more on this below). This increase was offset by a decrease in capital assets, as depreciation expense exceeded current year additions.

Total liabilities decreased by approximately \$2.5 million, or 11%. Much of this decrease occurred in the School District's share of net pension and OPEB liabilities, with the state-wide retirement systems realizing better than projected investment earnings and changes in actuarial assumptions, which led to the increase in deferred inflows of resources and created a net OPEB asset for the State Teachers Retirement System (STRS). Other long-term liabilities also decreased with the School District making its required debt service payments, with no new debt issuances during the fiscal year.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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B. Governmental Activities during fiscal year 2019

The following table presents a condensed summary of the School District's activities during fiscal year 2019 and 2018 and the resulting change in net position:

	<u>FY2019</u>	<u>FY2018</u>
Revenues:		
Program revenues:		
Charges for services and sales	\$ 415,464	\$ 511,910
Operating grants and contributions	539,430	548,625
Total program revenues	<u>954,894</u>	<u>1,060,535</u>
General revenues:		
Property and income taxes	4,811,369	4,408,231
Grants and entitlements	4,607,137	4,553,404
Payment in lieu of taxes	454,089	497,413
Investment earnings	54,532	25,432
Miscellaneous	95,244	83,645
Total general revenues	<u>10,022,371</u>	<u>9,568,125</u>
Total revenues	<u>10,977,265</u>	<u>10,628,660</u>
Expenses:		
Instruction	5,682,939	3,280,503
Support services:		
Pupil	324,602	361,101
Instructional staff	207,969	105,647
Board of Education	102,062	108,005
Administration	627,914	329,373
Fiscal	422,219	159,073
Operation and maintenance of plant	1,256,997	1,070,040
Pupil transportation	369,756	274,446
Extracurricular activities	425,985	264,134
Interest and fiscal charges	268,950	289,716
Food services	336,224	326,009
Total expenses	<u>10,025,617</u>	<u>6,568,047</u>
Change in net position	951,648	4,060,613
Beginning net position	9,198,013	5,137,400
Ending net position	<u>\$ 10,149,661</u>	<u>\$ 9,198,013</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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Of the total governmental activities revenues of \$10,977,265, \$954,894 (9%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 48% (\$4,811,369) comes from property and income taxes and 46% (\$4,607,137) is from state funding. The School District's operations are reliant upon its property and income taxes and the state's foundation program.

The School District's total revenue increased by about \$349,000, or 3%, during the fiscal year. The increase was attributable to increases in property taxes, associated with the increases in assessed property valuation. The increase was partially offset by decreases in charges for services, due to a decline in tuition revenue, as several students transferred to other districts.

Total expenses increased by \$3.5 million, or 53%. Approximately \$2.9 million of this increase is related to changes in pension and OPEB expenses; recognizing \$2.8 million in *negative* pension expense during fiscal year 2018 compared to \$817,000 in pension expense during fiscal year 2019, and recognizing a \$746,000 increase in *negative* OPEB expense. A majority of this is due to changes in actuarial assumptions in the STRS pension and OPEB plans, as previously discussed. The remaining increase were due to general inflationary increases.

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 10% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$5,682,939 but program revenue contributed to fund 10% of those costs. Thus, general revenues of \$5,129,148 were needed to support of remainder of the instruction costs.

	Governmental Activities			
	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 5,682,939	553,791	10%	5,129,148
Support services	3,311,519	27,112	1%	3,284,407
Non-instructional services	762,209	373,991	49%	388,218
Interest and fiscal charges	268,950	-	0%	268,950
Total	<u>\$ 10,025,617</u>	<u>954,894</u>	<u>10%</u>	<u>9,070,723</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
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FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Other Grants Fund. Assets of these three funds comprise \$10,965,269 (96%) of the total \$11,388,890 governmental funds' assets.

General Fund. Fund balance at June 30, 2019 was \$3,769,909, with an unassigned fund balance of \$3,643,733. The unassigned fund balance represents approximately 41% of current-year general fund expenditures. The General Fund decreased by \$283,179, or 7.0%, due to decreases in tuition revenue, previously discussed, and increase pupil transportation expenditures, due to an additional bus route.

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

Other Grants Fund. This fund is used to account for local grants and donations for various projects and events. Activity in the fund during the fiscal year was due to building improvements on the athletic field entrance and expanded parking lot.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. The General Fund budget remained flat during the fiscal year, while actual revenue and expenditures both coming in higher than budgeted. The General Fund absorbed grant-funded costs that were not reimbursed until July 2019.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2019, the School District had invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The decrease in the net capital assets was due to depreciation expense exceeding capital asset additions. See Note 7 to the basic financial statements for more detail.

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

	<u>FY2019</u>	<u>FY2018</u>
Land	\$ 1,070,024	1,070,024
Land improvements	507,629	574,129
Buildings and improvements	17,882,160	18,140,856
Equipment and furniture	1,442,801	1,620,134
Vehicles	182,255	121,344
Library books and materials	-	11,465
Total	<u>\$ 21,084,869</u>	<u>21,537,952</u>

Debt

During the year, the School District made its regularly scheduled payments on its Series 2009 classroom facilities improvement and Series 2016 refunding bonds. As of June 30, 2019, the School District's obligations for its bonds was \$8,046,287, which are payable over the next eighteen years.

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

ECONOMIC FACTORS

The area of school finance is always changing, property valuations, the unconstitutional state foundation formula, ADM counts, open-enrollment polices, community and charter schools options. CSX's Northwest Ohio Inter-modal Rail Yard, that was opened in 2010 to create a national gateway connecting the Mid-Atlantic region to the Midwest, has decided to expand its presence. This may impact the local economy with possible future development of warehouse and storage facilities. Rover Pipeline has moved in and completed the construction of a natural gas pipeline. As of October 1, 2019, "Line 1 and Line 2" are fully operational through the Wood County area and School District revenues will be on the rise for fiscal years 2020 and 2021.

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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The School District passed a 2-mill renewal Permanent Improvement Levy for a continuing period on the November 2007 Ballot. The 8 mill Five-Year Renewal Operating Levy passed in March 2008 and was renewed as a Continuing Levy in May 2013. An 8.9 mill Continuing Replacement Levy was passed in May 2010 that helped keep the School District in a positive cash flow.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the North Baltimore Local School District, 201 South Main Street, North Baltimore, Ohio 45872-1364.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 6,332,188
Receivables:	
Taxes	4,389,728
Accounts	29,363
Intergovernmental	508,674
Supplies inventory	6,220
Prepays	10,905
Net OPEB asset	494,872
Nondepreciable capital assets	1,070,024
Depreciable capital assets, net	<u>20,014,845</u>
Total assets	<u>32,856,819</u>
Deferred Outflows of Resources:	
Deferred charges	402,594
Pension	2,581,123
OPEB	<u>136,538</u>
Total deferred outflows of resources	<u>3,120,255</u>
Liabilities:	
Accounts payable	3,968
Accrued wages and benefits	747,927
Intergovernmental payable	107,251
Accrued interest payable	51,091
Noncurrent liabilities:	
Due within one year	588,278
Due more than one year:	
Net pension liability	8,734,868
Net OPEB liability	964,605
Other amounts due more than one year	<u>8,984,071</u>
Total liabilities	<u>20,182,059</u>
Deferred Inflows of Resources:	
Taxes levied for next fiscal year	3,580,698
Payment in lieu of taxes for next fiscal year	450,000
Pension	698,816
OPEB	<u>915,840</u>
Total deferred inflows of resources	<u>5,645,354</u>
Net Position:	
Net investment in capital assets	12,659,605
Restricted for:	
Capital projects	125,771
Other purposes	244,334
Debt service	1,209,088
Unrestricted (deficit)	<u>(4,089,137)</u>
Total net position	<u>\$ 10,149,661</u>

See accompanying notes to the financial statements

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Activities
Fiscal Year Ended June 30, 2019

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,754,492	\$ 244,202	\$ -	\$ (3,510,290)
Special education	1,424,677	-	220,478	(1,204,199)
Other	503,770	-	89,111	(414,659)
Support services:				
Pupil	324,602	-	16,488	(308,114)
Instructional staff	207,969	-	5,400	(202,569)
Board of Education	102,062	-	-	(102,062)
Administration	627,914	-	-	(627,914)
Fiscal	422,219	-	-	(422,219)
Operation and maintenance of plant	1,256,997	-	5,224	(1,251,773)
Pupil transportation	369,756	-	-	(369,756)
Non-instructional services:				
Extracurricular activities	425,985	67,625	-	(358,360)
Food service	336,224	103,637	202,729	(29,858)
Interest and fiscal charges	268,950	-	-	(268,950)
Total Governmental Activities	<u>\$ 10,025,617</u>	<u>\$ 415,464</u>	<u>\$ 539,430</u>	<u>(9,070,723)</u>
General Revenues:				
Property taxes, levied for general purposes				2,883,252
Property taxes, levied for debt services				724,461
Property taxes, levied for capital projects				117,963
Income taxes				1,085,693
Grants and entitlements not restricted to specific programs				4,607,137
Payment in lieu of taxes				454,089
Investment earnings				54,532
Miscellaneous				95,244
Total general revenues				<u>10,022,371</u>
Change in net position				951,648
Net position beginning of year				<u>9,198,013</u>
Net position end of year				<u>\$ 10,149,661</u>

See accompanying notes to the financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Balance Sheet
Governmental Funds
June 30, 2019

	General	Debt Service	Other Grants	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 3,979,042	\$ 1,215,101	\$ 937,940	\$ 200,105	\$ 6,332,188
Receivables:					
Taxes	3,410,095	829,466	-	150,167	4,389,728
Accounts	20,908	-	-	8,455	29,363
Intergovernmental	-	-	450,000	58,674	508,674
Prepays	10,905	-	-	-	10,905
Materials and supplies inventory	-	-	-	6,220	6,220
Interfund receivable	111,812	-	-	-	111,812
Total assets	<u>\$ 7,532,762</u>	<u>\$ 2,044,567</u>	<u>\$ 1,387,940</u>	<u>\$ 423,621</u>	<u>\$ 11,388,890</u>
Liabilities:					
Accounts payable	\$ 3,968	\$ -	\$ -	-	\$ 3,968
Accrued wages and benefits	725,116	-	-	22,811	747,927
Intergovernmental payable	103,289	-	-	3,962	107,251
Interfund payable	-	-	-	111,812	111,812
Compensated absences payable	68,720	-	-	-	68,720
Total liabilities	<u>901,093</u>	<u>-</u>	<u>-</u>	<u>138,585</u>	<u>1,039,678</u>
Deferred Inflows of Resources:					
Taxes levied for next fiscal year	2,776,670	689,974	-	114,054	3,580,698
Payment in lieu of taxes for next fiscal year	-	-	450,000	-	450,000
Unavailable revenue	85,090	17,035	-	64,305	166,430
Total deferred inflows of resources	<u>2,861,760</u>	<u>707,009</u>	<u>450,000</u>	<u>178,359</u>	<u>4,197,128</u>
Fund Balances:					
Nonspendable	10,905	-	-	6,220	17,125
Restricted	-	1,337,558	68,893	230,687	1,637,138
Committed	-	-	869,047	-	869,047
Assigned	115,271	-	-	-	115,271
Unassigned (Deficit)	3,643,733	-	-	(130,230)	3,513,503
Total fund balances	<u>3,769,909</u>	<u>1,337,558</u>	<u>937,940</u>	<u>106,677</u>	<u>6,152,084</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,532,762</u>	<u>\$ 2,044,567</u>	<u>\$ 1,387,940</u>	<u>\$ 423,621</u>	<u>\$ 11,388,890</u>

See accompanying notes to the financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		\$ 6,152,084
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,084,869
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		166,430
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(8,140,701)	
Premium on bond issue	(781,571)	
Accrued interest payable	(51,091)	
Compensated absences	<u>(581,357)</u>	(9,554,720)
Deferred outflows of resources from refunding of bonds are amortized over the life of the bonds and are not reported in the funds.		402,594
The net pension and OPEB liabilities are not due and payable in the current period. The net OPEB asset is not available to pay for current-period expenditures. Therefore, the asset, liabilities and related deferrals are not reported in the governmental funds:		
Deferred outflows - pension	2,581,123	
Deferred inflows - pension	(698,816)	
Net pension liability	(8,734,868)	
Deferred outflows - OPEB	136,538	
Deferred inflows - OPEB	(915,840)	
Net OPEB asset	494,872	
Net OPEB liability	<u>(964,605)</u>	(8,101,596)
Net Position of Governmental Activities		\$ <u>10,149,661</u>

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2019

	General	Debt Service	Other Grants	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,723,458	\$ 907,107	\$ -	\$ 177,669	\$ 4,808,234
Tuition and fees	244,202	-	-	-	244,202
Interest	54,532	-	-	-	54,532
Charges for services	-	-	-	103,637	103,637
Extracurricular activities	630	-	-	66,995	67,625
Intergovernmental	4,535,777	66,211	-	491,771	5,093,759
Payment in lieu of taxes	-	-	454,089	-	454,089
Contributions and donations	4,703	-	277	-	4,980
Other local revenues	82,725	-	8,636	9,035	100,396
Total revenues	<u>8,646,027</u>	<u>973,318</u>	<u>463,002</u>	<u>849,107</u>	<u>10,931,454</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,577,866	-	11,893	-	3,589,759
Special education	1,345,159	-	-	221,903	1,567,062
Other instruction	409,163	-	-	79,835	488,998
Support services:					
Pupil	364,444	-	-	14,772	379,216
Instructional staff	221,058	-	-	5,400	226,458
Board of Education	102,341	-	-	-	102,341
Administration	701,759	-	-	-	701,759
Fiscal	415,147	11,845	-	1,293	428,285
Operation and maintenance of plant	1,049,489	-	440,449	121,685	1,611,623
Pupil transportation	442,076	-	-	-	442,076
Non-instructional services:					
Extracurricular activities	295,424	-	1,652	64,094	361,170
Community service	-	-	3,500	-	3,500
Food service	-	-	-	333,231	333,231
Capital outlay	-	-	-	62,617	62,617
Debt Service:					
Principal	-	408,114	-	-	408,114
Interest and fiscal charges	-	394,883	-	-	394,883
Total expenditures	<u>8,923,926</u>	<u>814,842</u>	<u>457,494</u>	<u>904,830</u>	<u>11,101,092</u>
Excess (deficiency) of revenues over/(under) expenditures	<u>(277,899)</u>	<u>158,476</u>	<u>5,508</u>	<u>(55,723)</u>	<u>(169,638)</u>
Other financing sources (uses):					
Transfers in	-	-	5,280	36,075	41,355
Transfers out	(5,280)	-	-	(36,075)	(41,355)
Total other financing sources (uses):	<u>(5,280)</u>	<u>-</u>	<u>5,280</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(283,179)	158,476	10,788	(55,723)	(169,638)
Fund balance, beginning of year, <i>restated</i>	4,053,088	1,179,082	927,152	162,400	6,321,722
Fund balance, end of year	<u>\$ 3,769,909</u>	<u>\$ 1,337,558</u>	<u>\$ 937,940</u>	<u>\$ 106,677</u>	<u>\$ 6,152,084</u>

See accompanying notes to the financial statements.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds **\$ (169,638)**

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

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	570,843	
Depreciation expense	<u>(1,023,926)</u>	(453,083)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 45,811

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

Compensated absences	62,147	
Interest on long-term debt	771	
Amortization of deferred charges	(21,762)	
Amortization of bond premiums	54,686	
Net accretion on capital appreciation bonds	<u>92,238</u>	188,080

Principal paid on long-term debt is recorded as an expenditure on the fund financial statements and recorded as a reduction of the long-term liability in the government-wide statements. 408,114

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

Pension	682,267	
OPEB	<u>27,500</u>	709,767

Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension and OPEB liabilities are reported as pension expense and negative OPEB expense in the statement of activities:

Pension	(817,303)	
OPEB	<u>1,039,900</u>	<u>222,597</u>

Change in Net Position of Governmental Activities **\$ 951,648**

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

Statement of Assets and Liabilities

Fiduciary Funds

June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	\$ <u>27,761</u>
Total assets	<u>27,761</u>
LIABILITIES	
Due to student groups	<u>27,761</u>
Total liabilities	\$ <u>27,761</u>

See accompanying notes to the financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

1. REPORTING ENTITY

North Baltimore Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services to approximately 700 students and community members as authorized by state statute and/or federal guidelines.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities.

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

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Ohio Schools Council, the Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Ratings Plan, and the Wood County Schools Benefit Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Basis of Presentation – *continued*

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

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

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

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

Fund Accounting

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Fund Accounting – *continued*

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

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

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

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

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

Basis of Accounting

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

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

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Basis of Accounting – *continued*

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

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

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2019, but are intended to finance 2020 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 8 and 9).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension and OPEB are reported on the government-wide of net position (see Notes 8 and 9).

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool and individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements. The School District allocates interest earnings according to State statutes.

During fiscal year 2019, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2019, which approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the rights to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Inventory and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Capital Assets – *continued*

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Interfund Transactions

On fund financials, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities’ column of the statement of net position. Interfund transfers are reported as other financing sources/uses in the governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

Fund Balance – *continued*

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

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

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Estimates

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

3. DEPOSITS AND INVESTMENTS

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

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

3. DEPOSITS AND INVESTMENTS—*continued*

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

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

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

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

3. DEPOSITS AND INVESTMENTS—*continued*

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

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At fiscal year-end, none of the School District's bank balance of \$3,750,727 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 or the Treasurer of State's Ohio Pooled Collateral System (OPCS). ORC Chapter 135 authorizes pledging of pooled securities in lieu of specific securities.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured, or at least 102 percent, if the financial institution participates in the OPCS.

Investments

The School District's investment in STAR Ohio is not evidenced by securities that exist in physical or book entry form. The net asset value, which approximates fair value, of the School District's investment in STAR Ohio is \$3,066,296 at June 30, 2019.

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

3. DEPOSITS AND INVESTMENTS—*continued*

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

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

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018 on the assessed values listed as of the prior January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Wood and Hancock Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019 are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2019 for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 is levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2019 were \$308,070 in the General Fund, \$80,411 in the Debt Service Fund, and \$12,462 in Other Governmental Funds.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

4. PROPERTY TAXES—*continued*

The assessed values upon which fiscal year 2019 taxes were collected are:

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 91,109,570	93.07%	\$ 91,369,340	84.89%
Public Utility	6,785,960	6.93%	16,259,740	15.11%
Total Assessed Value	<u>\$ 97,895,530</u>	100.00%	<u>\$ 107,629,080</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$58.25		\$55.40

5. INCOME TAXES

As approved by voters in May 2015, the School District levies a 1% school income tax on earned income of residents of the School District, ending November 2022. An additional .25% income tax was approved by the voters on May 5, 2010 for the purpose of paying the School District's share of the OSFC project. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2019, the School District recorded income tax revenue of \$1,085,693 in the entity-wide financials and a receivable as of June 30, 2019 of \$380,034.

6. RISK MANAGEMENT

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

The School District participates in the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of reduced premiums for the School District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are calculated and each participant's individual performance is compared to the overall savings percentage of the GRP and the participant either receives money from or is required to contribute to the "Equity Pooling Fund".

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

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

6. RISK MANAGEMENT—*continued*

The School District also participates in the Wood County Schools Benefit Plan, a group insurance purchasing pool (Note 15), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Plan provides insurance policies in whole or in part through one or more group insurance policies.

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance 7/1/18	Additions	Disposals	Balance 6/30/19
Governmental Activities				
Nondepreciable:				
Land	\$ 1,070,024	\$ -	\$ -	\$ 1,070,024
Depreciable:				
Land improvements	1,202,856	-	-	1,202,856
Buildings and improvements	25,561,503	483,154	-	26,044,657
Vehicles	480,915	87,689	-	568,604
Equipment and furniture	3,151,042	-	-	3,151,042
Library books and materials	765,895	-	-	765,895
Subtotal	<u>31,162,211</u>	<u>570,843</u>	-	<u>31,733,054</u>
Totals at historical cost	<u>32,232,235</u>	<u>570,843</u>	-	<u>32,803,078</u>
Less accumulated depreciation:				
Land improvements	628,727	66,500	-	695,227
Buildings and improvements	7,420,647	741,850	-	8,162,497
Vehicles	359,571	26,778	-	386,349
Equipment and furniture	1,530,908	177,333	-	1,708,241
Library books and materials	754,430	11,465	-	765,895
Total accumulated depreciation	<u>10,694,283</u>	<u>1,023,926</u>	-	<u>11,718,209</u>
Capital assets, net	<u>\$ 21,537,952</u>	<u>\$ (453,083)</u>	<u>\$ -</u>	<u>\$ 21,084,869</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 814,125
Special education	586
Support services:	
Instructional staff	11,662
Administration	824
Operation and maintenance of plant	78,865
Pupil transportation	22,873
Extracurricular activities	87,070
Food service	7,921
Total depreciation expense	<u>\$ 1,023,926</u>

8. PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

8. PENSION PLANS – *continued*

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019 the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$165,003 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

8. PENSION PLANS—*continued*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

8. PENSION PLANS—continued

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$517,264 for fiscal year 2019. Of this amount, \$85,864 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and negative pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 1,963,350	\$ 6,771,518	\$ 8,734,868
Proportion of the Net Pension Liability	0.03428%	0.03080%	
Change in Proportion	-0.00297%	0.00027%	
Pension Expense	\$ 112,028	\$ 705,275	\$ 817,303

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

8. PENSION PLANS—continued

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 107,677	\$ 156,306	\$ 263,983
Change in assumptions	44,337	1,200,042	1,244,379
Change in School District's proportionate share and difference in employer contributions	39,330	351,164	390,494
School District's contributions subsequent to the measurement date	165,003	517,264	682,267
Total Deferred Outflows of Resources	<u>\$ 356,347</u>	<u>\$ 2,224,776</u>	<u>\$ 2,581,123</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 44,223	\$ 44,223
Net difference between projected and actual earnings on pension plan investments	54,398	410,617	465,015
Change in School District's proportionate share and difference in employer contributions	119,724	69,854	189,578
Total Deferred Inflows of Resources	<u>\$ 174,122</u>	<u>\$ 524,694</u>	<u>\$ 698,816</u>

\$682,267 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$ 83,808	\$ 648,640	\$ 732,448
2021	14,529	528,202	542,731
2022	(64,432)	78,755	14,323
2023	(16,683)	(72,779)	(89,462)
	<u>\$ 17,222</u>	<u>\$ 1,182,818</u>	<u>\$ 1,200,040</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

8. PENSION PLANS—continued

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50% on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

8. PENSION PLANS—continued

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

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

Discount Rate – Total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,765,526	\$1,963,350	\$1,290,778

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Fiscal Year Ended June 30, 2019**

8. PENSION PLANS—continued

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0%

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

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

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

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

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

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8. PENSION PLANS—continued

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,888,911	\$6,771,518	\$4,133,068

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) PLANS

Net OPEB Liability (Asset)

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

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, the minimum compensation amount was \$21,600. 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 2019, the School District's surcharge obligation was \$21,387.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$27,500 for fiscal year 2019. Of this amount \$21,387 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description—The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 964,605	\$ (494,872)	\$ 469,733
Proportion of the Net OPEB Liability/(Asset)	0.03477%	0.03080%	
Change in Proportion	-0.00281%	0.00027%	
(Negative) OPEB Expense	\$ 29,053	\$ (1,068,953)	\$ (1,039,900)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 15,743	\$ 57,800	\$ 73,543
Change in School District's proportionate share and difference in employer contributions	11,829	23,666	35,495
School District's contributions subsequent to the measurement date	<u>27,500</u>	<u>-</u>	<u>27,500</u>
Total Deferred Outflows of Resources	<u>\$ 55,072</u>	<u>\$ 81,466</u>	<u>\$ 136,538</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 28,830	\$ 28,830
Net difference between projected and actual earnings on OPEB plan investments	1,448	56,536	57,984
Change in assumptions	86,664	674,306	760,970
Change in School District's proportionate share and difference in employer contributions	<u>68,056</u>	<u>-</u>	<u>68,056</u>
Total Deferred Inflows of Resources	<u>\$ 156,168</u>	<u>\$ 759,672</u>	<u>\$ 915,840</u>

\$27,500 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

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

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	\$ (41,130)	\$ (121,253)	\$ (162,383)
2021	(35,043)	(121,253)	(156,296)
2022	(15,768)	(121,253)	(137,021)
2023	(15,152)	(108,413)	(123,565)
2024	(15,252)	(103,908)	(119,160)
2025	(6,251)	(102,126)	(108,377)
	<u>\$ (128,596)</u>	<u>\$ (678,206)</u>	<u>\$ (806,802)</u>

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
Municipal Bond Index Rate:	
Prior Measurement Date	3.56%
Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	3.63%
Measurement Date	3.70%
Medical Trend Assumption:	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62% as of June 30, 2018 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability calculated using the discount rate of 3.70%, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70%) and one percentage point higher (4.70%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District’s proportionate share of the net OPEB liability	\$1,170,474	\$964,605	\$801,598

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

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.25% decreasing to 3.75%) and one percentage point higher (8.25% decreasing to 5.75%) than the current rates.

	1% Decrease 6.25% decreasing to 3.75%)	Current Trend Rate 7.25% decreasing to 4.75%)	1% Increase 8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$778,260	\$964,605	\$1,211,362

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

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

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

Discount Rate – The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB (asset) calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB (asset)	(\$424,152)	(\$494,872)	(\$554,310)

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

	1% Decrease	Current Trend Rates	1% Increase
School District's proportionate share of the net OPEB (asset)	(\$550,955)	(\$494,872)	(\$437,917)

10. EMPLOYEE BENEFITS

Compensated Absences

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

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2019 were as follows:

	Principal Outstanding 7/1/18	Additions	Reductions	Principal Outstanding 6/30/19	Amounts Due in One Year
<i>Governmental Activities:</i>					
2009 Classroom Facilities Improvement Bonds:					
General obligation bonds	\$ 1,225,000	\$ -	\$ (135,000)	\$ 1,090,000	\$ 140,000
Capital appreciation bonds	4,233	-	(1,350)	2,883	1,031
Accretion on CAB's	31,200	16,575	(13,650)	34,125	-
2009A School Facilities Improvement Bonds:					
General obligation bonds	1,560,000	-	(215,000)	1,345,000	215,000
Capital appreciation bonds	8,072	-	(4,498)	3,574	3,574
Accretion on CAB's	48,400	9,996	(30,502)	27,894	-
2009B School Facilities Improvement Bonds:					
General obligation bonds	980,000	-	-	980,000	125,000
Capital appreciation bonds	27,266	-	(27,266)	-	-
Accretion on CAB's	88,393	9,341	(97,734)	-	-
2016 School Facilities Refunding Bonds:					
General obligation bonds	4,610,000	-	(25,000)	4,585,000	30,000
Capital appreciation bonds	39,830	-	-	39,830	-
Accretion on CAB's	18,659	13,736	-	32,395	-
Premium on bond issues	836,257	-	(54,686)	781,571	-
Compensated absences	643,504	54,083	(47,510)	650,077	73,673
Net pension liability:					
STRS	7,251,075	-	(479,557)	6,771,518	-
SERS	2,225,848	-	(262,498)	1,963,350	-
Net OPEB liability:					
STRS	1,190,939	-	(1,190,939)	-	-
SERS	1,008,477	-	(43,872)	964,605	-
	<u>\$21,797,153</u>	<u>\$ 103,731</u>	<u>\$ (2,629,062)</u>	<u>\$19,271,822</u>	<u>\$ 588,278</u>

NORTH BALTIMORE LOCAL SCHOOL DISTRICT
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11. LONG-TERM OBLIGATIONS – *continued*

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

Also on October 28, 2009, the School District issued \$7,985,212 in Series 2009A school facilities improvement bonds to pay for the costs of certain locally funded initiatives, including site acquisition for the new middle/high school building and building improvements for additional classroom space and facilities. On November 3, 2016, a portion of these bonds were advanced refunded with Series 2016 School Improvement Refunding Bonds. The remaining bonds have interest rates between 4.22% to 4.50% and a final maturity at September 30, 2024.

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

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

All general obligation debt is supported by the full faith and credit of the School District. The bonds will be retired from the Debt Service Fund. Compensated absences, net pension and OPEB liabilities will be paid from the fund from which the employees’ salaries are paid, with the General Fund being the most significant fund.

Principal and interest requirements to retire general obligation bonds, inclusive of interest accretion on capital appreciation bonds in the interest column, at June 30, 2019 are:

Fiscal Year Ending June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$	514,605	488,693	1,003,298
2021		571,050	234,590	805,640
2022		580,801	222,991	803,792
2023		566,783	211,316	778,099
2024		578,308	199,477	777,785
2025-2029		1,939,740	809,297	2,749,037
2030-2034		1,690,000	495,000	2,185,000
2035-2038		1,605,000	131,100	1,736,100
Total	\$	<u>8,046,287</u>	<u>2,792,464</u>	<u>10,838,751</u>

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

11. LONG-TERM OBLIGATIONS – *continued*

The Ohio Revised Code provides that voted net general obligation debt of a school district should never exceed 9% of its total assessed valuation. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the school district. The School District's voted legal debt margin was \$2,733,213, with an unvoted debt margin of \$107,629 at June 30, 2019.

12. FUND BALANCES

Fund balance is classified as nonspendable, restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Grants	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepaid items	\$ 10,905	\$ -	\$ -	\$ -	\$ 10,905
Inventory	-	-	-	6,220	6,220
<i>Total Nonspendable</i>	10,905	-	-	6,220	17,125
<i>Restricted for</i>					
Local Grant Programs	-	-	68,893	-	68,893
Classroom Maintenance	-	-	-	83,129	83,129
Athletics	-	-	-	23,362	23,362
Federal Grant Programs	-	-	-	4,056	4,056
Debt Service Payments	-	1,337,558	-	-	1,337,558
Capital Improvements	-	-	-	120,140	120,140
<i>Total Restricted</i>	-	1,337,558	68,893	230,687	1,637,138
<i>Committed to</i>					
Athletic Facility Improvements	-	-	869,047	-	869,047
<i>Assigned to</i>					
Public School Support	28,580	-	-	-	28,580
Encumbrances	86,691	-	-	-	86,691
<i>Total Assigned</i>	115,271	-	-	-	115,271
<i>Unassigned (Deficit)</i>	3,643,733	-	-	(130,230)	3,513,503
<i>Total Fund Balance</i>	\$3,769,909	\$1,337,558	\$937,940	\$ 106,677	\$ 6,152,084

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

13. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2019 consisted of the following interfund receivables/payables and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 111,812	\$ -	\$ -	\$ 5,280
Other Grants Fund	-	-	5,280	-
Other Governmental Funds	-	111,812	36,075	36,075
	<u>\$ 111,812</u>	<u>\$ 111,812</u>	<u>\$ 41,355</u>	<u>\$ 41,355</u>

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

14. JOINTLY GOVERNED ORGANIZATIONS

The Northwest Ohio Area Computer Services Cooperative (NOACSC)

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

Ohio Schools Council (OSC)

OSC is a consortium of 199 school districts, educational service centers, joint vocational districts and Development Disabilities boards in 34 northern Ohio counties. OSC exists for the purpose of obtaining top quality products and services at the most competitive price through cooperative purchasing. OSC offers group purchasing programs in the areas of electricity, natural gas, insurance, commodities, and a host of other goods and services. Formed in 1986 under Ohio Revised Code Section 167 as a regional council of governments by 53 school districts, OSC is managed by a governing board of nine superintendents from member districts.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

15. INSURANCE PURCHASING POOLS

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

The School District participates in the Ohio School Boards Association and Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Wood County Schools Benefit Plan

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

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

16. CONTINGENCIES AND COMMITMENTS

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are finalized. As of the date of this report, additional adjustments for fiscal year 2019 are finalized. The impact of the adjustments does not have a material impact on the School District's financial statements.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

16. CONTINGENCIES AND COMMITMENTS—*continued*

Litigation

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

Encumbrances

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District's outstanding encumbrance amounts at June 30, 2019 were:

General Fund	\$ 90,211
Other Grants Fund	86,246
Other Governmental Funds	<u>112,670</u>
	<u>\$ 289,127</u>

17. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2019, the following funds had a deficit fund balance:

Food Service	\$ 77,067
Title I	41,198
Supporting Effective Instruction Grant	11,965

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

Compliance

The School District's Other Grants and Capital Projects Funds had expenditures in excess of appropriations and thus were not in compliance with Ohio Revised Code Section 5705.41(B).

18. REQUIRED SET-ASIDES

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end. The following cash basis information describes the change in the year-end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

**NORTH BALTIMORE LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

18. REQUIRED SET-ASIDES—*continued*

		<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2018	\$	-
Current year set-aside requirement		119,094
Current year offsets		<u>(119,094)</u>
Total	\$	<u>-</u>
Set-aside reserve balance as of June 30, 2019	\$	<u>-</u>

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

19. RESTATEMENT

The School District restated its beginning fund balances in the debt service and other governmental funds to record income tax receipts received in prior years in the correct fund. The restatement had the following impact on fund balances:

		<u>Debt Service</u>	<u>Other Governmental Funds</u>
Fund Balance at June 30, 2018	\$	879,879	461,603
Adjustment:			
Correction of a posting error		<u>299,203</u>	<u>(299,203)</u>
Restated Fund Balance at June 30, 2018	\$	<u>1,179,082</u>	<u>162,400</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 3,294,121	3,294,121	3,941,660	647,539
Tuition and fees	339,792	339,792	237,498	(102,294)
Interest	23,344	23,344	54,532	31,188
Intergovernmental	4,483,827	4,483,827	4,409,468	(74,359)
Other local revenues	20,375	20,375	9,482	(10,893)
Total revenues	<u>8,161,459</u>	<u>8,161,459</u>	<u>8,652,640</u>	<u>491,181</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,389,975	3,389,975	3,571,895	(181,920)
Special education	1,227,525	1,227,525	1,317,523	(89,998)
Other instruction	453,807	453,807	409,163	44,644
Support services:				
Pupil	522,075	522,075	377,429	144,646
Instructional staff	179,339	179,339	195,187	(15,848)
Board of Education	161,221	161,221	110,575	50,646
Administration	706,888	706,888	709,225	(2,337)
Fiscal	368,593	368,593	417,757	(49,164)
Operation and maintenance of plant	1,074,041	1,074,041	1,071,800	2,241
Pupil transportation	407,252	407,252	444,553	(37,301)
Non-instructional services:				
Extracurricular activities	217,272	217,272	232,118	(14,846)
Total expenditures	<u>8,707,988</u>	<u>8,707,988</u>	<u>8,857,225</u>	<u>(149,237)</u>
Excess (deficiency) of revenues over (under) expenditures	(546,529)	(546,529)	(204,585)	341,944
Other financing sources (uses):				
Transfers in	-	-	34,204	34,204
Transfers out	(27,684)	(27,684)	(40,500)	(12,816)
Other sources	22,915	22,915	3,624	19,291
Total other financing sources (uses):	<u>(4,769)</u>	<u>(4,769)</u>	<u>(2,672)</u>	<u>40,679</u>
Net change in fund balance	(551,298)	(551,298)	(207,257)	382,623
Fund balance, beginning of year	3,916,018	3,916,018	3,916,018	
Prior year encumbrances appropriated	263,302	263,302	263,302	
Fund balance, end of year	\$ <u>3,628,022</u>	<u>3,628,022</u>	<u>3,972,063</u>	

See accompanying notes to required supplementary information.

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

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

Other Grants Fund

Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intergovernmental	\$ 475,913	475,913	454,089	(21,824)
Contributions and donations	23,777	23,777	277	(23,500)
Other local revenues	30,916	30,916	8,063	(22,853)
Total revenues	<u>530,606</u>	<u>530,606</u>	<u>462,429</u>	<u>(68,177)</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,962	12,962	11,893	1,069
Support services:				
Operation and maintenance of plant	94,291	94,291	547,140	(452,849)
Non-instructional services:				
Community services	7,000	7,000	3,500	3,500
Extracurricular activities	3,403	3,403	1,653	1,750
Total expenditures	<u>117,656</u>	<u>117,656</u>	<u>564,186</u>	<u>(446,530)</u>
Excess (deficiency) of revenues over (under) expenditures	412,950	412,950	(101,757)	(514,707)
Other financing sources (uses):				
Transfers in	5,684	5,684	6,257	573
Transfers out	-	-	(976)	(976)
Other sources	-	-	573	(573)
Total other financing sources (uses):	<u>5,684</u>	<u>5,684</u>	<u>5,854</u>	<u>(976)</u>
Net change in fund balance	418,634	418,634	(95,903)	(515,683)
Fund balance, beginning of year	920,607	920,607	920,607	
Prior year encumbrances appropriated	26,990	26,990	26,990	
Fund balance, end of year	\$ <u>1,366,231</u>	<u>1,366,231</u>	<u>851,694</u>	

See accompanying notes to required supplementary information.

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

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0348%	\$ 2,071,823	\$ 988,259	209.64%	65.52%
2015	0.0348%	1,763,233	1,022,619	172.42%	71.70%
2016	0.0369%	2,108,220	1,256,571	167.78%	69.16%
2017	0.0361%	2,643,290	1,404,929	188.14%	62.98%
2018	0.0373%	2,225,848	1,299,436	171.29%	69.50%
2019	0.0343%	1,963,350	1,079,585	181.86%	71.36%

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

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

Notes to Schedule:

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

Changes of benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

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

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.02961%	\$ 8,578,829	3,286,431	261.04%	69.30%
2015	0.02961%	7,201,878	3,257,908	221.06%	74.70%
2016	0.02817%	7,786,138	2,903,143	268.20%	72.09%
2017	0.03016%	10,095,110	3,067,764	329.07%	66.78%
2018	0.03052%	7,251,075	3,437,879	210.92%	75.30%
2019	0.03080%	6,771,518	3,676,750	184.17%	77.30%

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

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 136,775	\$ (136,775)	\$ -	\$ 988,259	13.84%
2014	141,735	(141,735)	-	1,022,619	13.86%
2015	165,616	(165,616)	-	1,256,571	13.18%
2016	196,690	(196,690)	-	1,404,929	14.00%
2017	181,921	(181,921)	-	1,299,436	14.00%
2018	145,744	(145,744)	-	1,079,585	13.50%
2019	165,003	(165,003)	-	1,222,244	13.50%

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

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 427,236	\$ (427,236)	\$ -	\$ 3,286,431	13.00%
2014	423,528	(423,528)	-	3,257,908	13.00%
2015	406,440	(406,440)	-	2,903,143	14.00%
2016	429,487	(429,487)	-	3,067,764	14.00%
2017	481,303	(481,303)	-	3,437,879	14.00%
2018	514,745	(514,745)	-	3,676,750	14.00%
2019	517,264	(517,264)	-	3,694,743	14.00%

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

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

	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0365%	\$ 1,040,823	\$ 1,404,929	74.08%	11.49%
2018	0.0376%	1,008,477	1,299,436	77.61%	12.46%
2019	0.0348%	964,605	1,079,585	89.35%	13.57%

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

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

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

NORTH BALTIMORE LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net OPEB Liability (Asset)

State Teachers Retirement System of Ohio

Last Three Fiscal Years (1) (2)

	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.03016%	\$ 1,612,908	\$ 3,067,764	52.58%	37.3%
2018	0.03052%	1,190,939	3,437,879	34.64%	47.1%
2019	0.03080%	(494,872)	3,676,750	(13.46%)	176.0%

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

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

Notes to Schedule:

Change in assumption. For measurement year 2017, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 18,119	\$ (18,119)	\$ -	\$ 1,404,929	1.29%
2017	19,431	(19,431)	-	1,299,436	1.50%
2018	24,144	(24,144)	-	1,079,585	2.24%
2019	27,500	(27,500)	-	1,222,244	2.25%

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

(2) Includes Surcharge

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

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ -	\$ -	\$ -	\$ 3,067,764	0.00%
2017	-	-	-	3,437,879	0.00%
2018	-	-	-	3,676,750	0.00%
2019	-	-	-	3,694,743	0.00%

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

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

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

Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2019

Note A Budgetary Basis of Accounting

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

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

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

	<u>General</u>	<u>Other Grants</u>
Net change in fund balance - GAAP Basis	\$ (283,179)	10,788
Increase / (decrease):		
Due to inclusion of Public School Support Fund	(674)	-
Due to revenues	7,287	(573)
Due to expenditures	156,912	(20,446)
Due to other sources (uses)	2,608	574
Due to encumbrances	<u>(90,211)</u>	<u>(86,246)</u>
Net change in fund balance - Budget Basis	\$ <u>(207,257)</u>	<u>(95,903)</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Local School District, Wood County, (the District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

District's Response to Findings

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

Purpose of this Report

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



BHM CPA Group, Inc.
Piketon, Ohio
January 27, 2021

**North Baltimore Local School District
Wood County, Ohio**

Schedule of Findings
June 30, 2020 and 2019

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the District had expenditures in excess of appropriations as follows:

At December 31, 2020, disbursements plus outstanding encumbrances exceeded appropriations plus prior year encumbrances as follows:

Fund	Appropriations plus PY Encumbrances	Disbursements plus O/S Encumbrances	Variance
General	\$ 8,871,521	\$ 9,118,021	(\$ 246,500)
Other Grants	\$ 552,293	\$ 877,774	(\$ 325,481)

At December 31, 2019, disbursements plus outstanding encumbrances exceeded appropriations plus prior year encumbrances as follows:

Fund	Appropriations plus PY Encumbrances	Disbursements plus O/S Encumbrances	Variance
Other Grants	\$ 144,646	\$ 565,161	(\$ 420,515)
Capital Projects	\$ 96,026	\$ 467,956	(\$ 371,930)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The management and the board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations.

Officials Response: We agree with the auditors' comments, and the following action will be taken to improve the situation. We will have a weekly review with all fiscal staff present to evaluate all appropriations and estimate of resources figures to ensure we are still within our estimated resources and eliminate future excess or deficiencies. We will strive to maintain and adjust, with Board support, our appropriations and estimates as needed to ensure accuracy and accountability.

OHIO AUDITOR OF STATE KEITH FABER



NORTH BALTIMORE LOCAL SCHOOL DISTRICT

WOOD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/6/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov