

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2004





**Auditor of State  
Betty Montgomery**

Board of Education  
Bath Local School District  
Lima, Ohio

We have reviewed the Independent Auditor's Report of the Bath Local School District, Allen County, prepared by E.S. Evans and Company, for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 23, 2005

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BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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# **E.S. Evans and Company**

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

November 12, 2004

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Bath Local School District      and  
Allen County, Ohio

Auditor of State of Ohio  
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting (basis of cash receipts and disbursements) is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bath Local School District, as of June 30, 2004, and the respective changes in cash basis financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated November 12, 2004 on our consideration of Bath Local School District 's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in red ink, appearing to read "E. J. ...", is located at the bottom right of the page.



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

The discussion and analysis of Bath Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

In total, net assets, increased \$95,245, or 3 percent, indicating only a slight change from the prior fiscal year.

General revenues accounted for \$12,981,100, or 83 percent of all revenues, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

The School District's personal property tax valuation is decreasing because of changes to state law that are phasing out the inventory portion of personal property tax, and production cut-backs at local industries. Cuts of state foundation funding have also negatively affected our balances. To compensate for these reductions, the Board of Education made cuts, and asked for new money from the voters in March 2004. The levy was a renewal of an existing emergency operating levy, with an increase of 2 mills. The levy was defeated by 58%. The Board continued to implement budget cuts, and went back to the voters in November 2004, again for a renewal with an increase. This levy passed, and will generate \$900,000 in new revenue annually. The District has maintained the budget cuts, and will continue to reduce when possible. In May 2005, the District will have another levy on the ballot. It is a straight renewal of a 4.7 mill emergency operating levy.

The School District ended the fiscal year in the black, and deficits are not projected on the five-year forecast. It is imperative that the Board continue to exercise fiscal caution in the current economic climate.

This year's financial statements were prepared on the cash basis utilizing the GASB 34 format. The 2003 financial statements were prepared in accordance with generally accepted accounting principals and included the implementation of GASB 34. As a result, attempting to compare this year's data to last years would be misleading to the reader. The School District will provide this comparative analysis in subsequent years. The decision to change the basis of reporting was made by the Board of Education in order to save financial resources.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Bath Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Bath Local School District, the General Fund and the Permanent Improvement capital projects fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2004 on the cash basis of accounting.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses a single type of activity:

Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement capital projects fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2004 on the cash basis of accounting. A comparative analysis is not provided because this is the first year for government-wide financial statements using the cash basis of accounting. An analysis will be provided in future years when prior year information is available.

Table 1  
Net Assets

		Governmental Activities
		<u>2004</u>
<u>Assets:</u>		
Cash and Cash Equivalents	\$	<u>3,080,867</u>
<u>Net Assets:</u>		
Restricted		1,617,186
Unrestricted		<u>1,463,681</u>
Total Net Assets	\$	<u><u>3,080,867</u></u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

Table 2 reflects the changes in net assets for fiscal year 2004. Since this year the School District has prepared financial statements according to the cash basis of accounting, revenue and expense comparisons to fiscal year 2003 are not being prepared. In future years, when prior fiscal year information is prepared on the same basis, a comparative analysis of government-wide data will be presented.

Table 2 -Change in Net Assets

<u>Revenues</u>	<u>Governmental Activities 2004</u>
Program Revenues:	
Charges for Services and Sales	\$ 1,013,999
Operating Grants, Contributions, and Interest	1,059,288
Capital Grants and Contributions	59,219
Total Program Revenues	2,132,506
General Revenues:	
Property Taxes Levied for General Purposes	7,880,837
Property Taxes Levied for Permanent Improvements	778,781
Grants and Entitlements	4,723,399
Interest	58,524
Miscellaneous	84,871
Total General Revenues	13,526,412
Total Revenues	15,658,918
<u>Expenses</u>	
Instruction:	
Regular	7,151,067
Special	800,243
Vocational	(12)
Other	370,702
Support Services:	
Pupils	1,140,464
Instructional Staff	385,709
Board of Education	53,840
Administration	1,184,947
Fiscal	499,413
Business	130,676
Operations and Maintenance of Plants	1,578,364
Pupil Transportation	732,162
Central	103,884
Non-Instructional Services	742,654
Extracurricular Activities	556,142
Capital Outlay	12,732
Debt Service:	
Principal Retirement	95,683
Interest and Fiscal Charges	25,703
Total Expenses	15,564,373
Transfers In	1,269
Increase in Net Assets	\$ 95,814

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

Program revenues account for over 13 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

The major program expenses for governmental activities are for instruction, which accounts for 53 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 14 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 10 percent. Therefore, over 77 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these cost are funded almost entirely from property taxes and unrestricted grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Instruction:		
Regular	\$ 7,151,067	\$ 6,743,582
Special	800,243	105,069
Vocational	(12)	(12)
Other	370,702	370,702
Support Services:		
Pupils	1,140,464	1,138,113
Instructional Staff	385,709	385,709
Board of Education	53,840	53,840
Administration	1,184,947	1,177,496
Fiscal	499,413	499,413
Business	130,676	130,676
Operation and Maintenance of Plant	1,578,364	1,578,364
Pupil Transportation	732,162	701,070
Central	103,884	99,744
Non-Instructional Services	742,654	(28,668)
Extracurricular Activities	556,142	342,651
Capital Outlay	12,732	12,732
Debt Service	121,386	121,386
Total Expenses	<u>\$ 15,564,373</u>	<u>\$ 13,431,867</u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 86 percent of instruction activities are supported through taxes and other general revenues. Operation of food services was completely funded by program revenues for the current fiscal year. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Over 38 percent of extracurricular activities expenses are covered by program revenues. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general revenues is 86 percent. It is apparent that the community, as a whole, is the primary support for Bath Local School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had revenues of \$15,654,559 and expenditures \$15,560,211. The positive change of \$94,348 in fund balance for the year indicates that the School District was able to meet current costs.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$12,505,719, were below original budgeted revenues, in the amount of \$12,512,500. The \$6,781 difference is generally insignificant.

Final expenditures were budgeted at \$13,590,771 while actual expenditures were \$12,890,597. The School District was able to restrict spending below what was anticipated. The School District experienced lower regular instruction, other instruction, administration, and pupil transportation expenditures than expected. The School District appropriates conservatively in order to cover expenditures.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

Debt Administration

Debt

The School District had, two loans outstanding at the end of the fiscal year, an asbestos loan with a balance of \$28,141, and a sewer improvement loan with a balance of \$389,828. For further information regarding the School District's debt see Note 11 to the basic financial statements.

Current Issues

Due to low test scores in science in the elementary grades, the Board and Administration are looking at ways to incorporate additional science into the curriculum at that level. Changes to curriculum will be made during the 2005-2006 school year.

During fiscal year 2003, the Ohio School Facilities Commission completed an inspection and analysis of the School District's buildings and determined that the high school and middle school qualify for renovation, but the elementary building needs to be replaced.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Annette Morman, Treasurer, Bath Local School District, 2650 Bible Road, Lima, Ohio 45801.

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BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

STATEMENT OF NET ASSETS - CASH BASIS

June 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,080,867
Total Assets	<u><u>3,080,867</u></u>
<u>Net Assets:</u>	
Restricted For:	
Set Asides	331,883
Debt Service	3,418
Capital Projects	975,201
Other Purposes	205,701
Library Materials:	
Expendable	983
Nonexpendable	100,000
Unrestricted	1,463,681
Total Net Assets	<u><u>\$ 3,080,867</u></u>

The accompanying notes are an integral part of these financial statements.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS  
For the Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instructions:				
Regular	\$ 7,151,067	\$ 253,112	\$ 154,373	\$ -
Special	800,243	20,610	674,564	-
Vocational	(12)	-	-	-
Other	370,702	-	-	-
Support Services:				
Pupils	1,140,464	-	2,351	-
Instructional Staff	385,709	-	-	-
Board of Education	53,840	-	-	-
Administration	1,184,947	-	7,451	-
Fiscal	499,413	-	-	-
Business	130,676	-	-	-
Operation and Maintenance of Plant	1,578,364	-	-	-
Pupil Transportation	732,162	-	17,873	13,219
Central	103,884	-	4,140	-
Non-Instructional Services	742,654	577,286	194,036	-
Extracurricular Activities	556,142	162,991	4,500	46,000
Capital Outlay	12,732	-	-	-
Debt Service:				
Principal Retirement	95,683	-	-	-
Interest and Fiscal Charges	25,703	-	-	-
Total Governmental Activities	\$ 15,564,373	\$ 1,013,999	\$ 1,059,288	\$ 59,219

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Permanent Improvements  
Grants and Entitlements not Restricted to Specific Program  
Interest  
Gifts and Donations  
Miscellaneous  
Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - See Note 3  
Net Assets End of Year

The accompanying notes are an integral part of these financial statements.

and Change in Net Assets

Governmental  
Activities

\$ (6,743,582)  
(105,069)  
12  
(370,702)  
  
(1,138,113)  
(385,709)  
(53,840)  
(1,177,496)  
(499,413)  
(130,676)  
(1,578,364)  
(701,070)  
(99,744)  
28,668  
(342,651)  
(12,732)  
-  
(95,683)  
(25,703)  

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(13,431,867)

7,880,837  
778,781  
4,723,399  
58,524  
-  
84,871  

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13,526,412  

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1,269  

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95,814  

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2,985,053  
\$ 3,080,867

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS

June 30, 2004

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalent \$	1,608,708	\$ 975,201	\$ 496,958	\$ 3,080,867
Total Assets	1,608,708	975,201	496,958	3,080,867
<u>Fund Balances:</u>				
Reserved for Textbooks	284,741	-	-	284,741
Reserved for Budget Stabilization	47,142	-	-	47,142
Reserved for Bus Purchase	24,893	-	-	24,893
Reserved for Encumbrances	102,109	343,012	62,506	507,627
Unreserved, Reported in:				
General Fund	1,149,823	-	-	1,149,823
Special Revenue Funds	-	-	330,051	330,051
Debt Service Fund	-	-	3,418	3,418
Capital Projects Funds	-	632,189	-	632,189
Permanent Fund	-	-	100,983	100,983
Total Fund Balances	\$ 1,608,708	\$ 975,201	\$ 496,958	\$ 3,080,867

The accompanying notes are an integral part of these financial statements.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 7,721,500	\$ 7,721,500	\$ 7,880,837	\$ 159,337
Intergovernmental	4,516,000	4,509,219	4,547,908	38,689
Interest	40,000	40,000	37,112	(2,888)
Tuition and Fees	228,800	228,800	499,690	270,890
Miscellaneous	6,200	6,200	15,553	9,353
Total Revenues	12,512,500	12,505,719	12,981,100	475,381
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,998,019	6,744,419	6,540,067	204,352
Special	598,000	598,000	561,206	36,794
Vocational	600	1,200	(12)	1,212
Other	400,000	400,000	369,720	30,280
Support Services:				
Pupils	932,799	1,099,279	1,083,161	16,118
Instructional Staff	264,222	266,242	248,136	18,106
Board of Education	44,935	54,535	48,180	6,355
Administration	1,130,124	1,125,124	1,037,173	87,951
Fiscal	452,118	486,318	480,367	5,951
Business	138,864	138,864	129,689	9,175
Operation and Maintenance of Plant	1,421,744	1,421,744	1,308,813	112,931
Pupil Transportation	820,954	820,246	682,986	137,260
Central	85,500	85,500	84,126	1,374
Extracurricular Activities	349,000	349,300	316,985	32,315
Total Expenditures	13,636,879	13,590,771	12,890,597	700,174
Excess of Revenues				
Under Expenditures	(1,124,379)	(1,085,052)	90,503	1,175,555
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	25,000	25,000	2,260	(22,740)
Advances In	-	-	157,563	157,563
Advances Out	-	-	(129,771)	(129,771)
Transfers Out	-	(41,500)	(41,500)	-
Total Other Financing Sources (Uses)	25,000	(16,500)	(11,448)	5,052
Net Change in Fund Balance	(1,099,379)	(1,101,552)	79,055	1,180,607
Fund Balance at Beginning of Year	1,207,575	1,207,575	1,207,575	-
Prior Year Encumbrances Appropriated	322,078	322,078	322,078	-
Fund Balance at End of Year	\$ 430,274	\$ 428,101	\$ 1,608,708	\$ 1,180,607

The accompanying notes are an integral part of these financial statements.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS  
FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 7,880,837	\$ 778,781	\$ -	\$ 8,659,618
Intergovernmental	4,547,908	77,550	852,554	5,478,012
Interest	37,112	17,662	3,750	58,524
Tuition and Fees	499,690	-	82,726	582,416
Extracurricular Activities	-	-	162,991	162,991
Charges for Services	-	-	577,286	577,286
Gifts and Donations	4,500	46,000	-	50,500
Rentals	4,700	-	-	4,700
Miscellaneous	6,353	8,667	65,492	80,512
Total Revenues	<u>12,981,100</u>	<u>928,660</u>	<u>1,744,799</u>	<u>15,654,559</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,540,067	389,774	221,226	7,151,067
Special	561,206	-	239,037	800,243
Vocational	(12)	-	-	(12)
Other	369,720	-	982	370,702
Support Services				
Pupils	1,083,161	-	53,141	1,136,302
Instructional Staff	248,136	-	137,573	385,709
Board of Education	48,180	5,660	-	53,840
Administration	1,037,173	43,502	104,272	1,184,947
Fiscal	480,367	17,897	1,149	499,413
Business	129,689	-	987	130,676
Operation and Maintenance of Plant	1,308,813	260,551	9,000	1,578,364
Pupil Transportation	682,986	40,872	8,304	732,162
Central	84,126	-	19,758	103,884
Non-Instructional Services				
Extracurricular Activities	316,985	32,665	206,492	556,142
Capital Outlay	-	12,732	-	12,732
Debt Service:				
Principal Retirement	-	95,683	-	95,683
Interest and Fiscal Charges	-	25,703	-	25,703
Total Expenditures	<u>12,890,597</u>	<u>925,039</u>	<u>1,744,575</u>	<u>15,560,211</u>
Excess of Revenues Over (Under) Expenditures	<u>90,503</u>	<u>3,621</u>	<u>224</u>	<u>94,348</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Exp	2,260	-	2,099	4,359
Refund of Prior Year Receipts	-	-	(4,162)	(4,162)
Advances In	157,563	-	129,771	287,334
Advances Out	(129,771)	-	(157,563)	(287,334)
Transfers In	-	66,663	42,769	109,432
Transfers Out	(41,500)	(66,663)	-	(108,163)
Total Other Financing Sources (Uses)	<u>(11,448)</u>	<u>-</u>	<u>12,914</u>	<u>1,466</u>
Net Change in Fund Balances	79,055	3,621	13,138	95,814
Fund Balances Beginning of Year - Note 3	1,529,653	971,580	483,820	2,985,053
Fund Balances End of Year	<u>\$ 1,608,708</u>	<u>\$ 975,201</u>	<u>\$ 496,958</u>	<u>\$ 3,080,867</u>

The accompanying notes are an integral part of these financial statements.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS

June 30, 2004

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ <u>20,511</u>	\$ <u>11,665</u>
<u>Net Assets:</u>		
Unrestricted	\$ <u>20,511</u>	\$ <u>11,665</u>

The accompanying notes are an integral part of these financial statements.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
For the Year Ended June 30, 2004

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Additions:</u>		
Interest	\$ 230	\$ 159
Gifts and Donations	5,050	-
Extracurricular Activities	-	42,556
Miscellaneous	-	462
Total Additions	<u>5,280</u>	<u>43,177</u>
 <u>Deductions:</u>		
Scholarships	5,500	-
Purchased Services	-	3,090
Other Objects	-	39,067
Transfers Out	-	1,269
	<u>5,500</u>	<u>43,426</u>
 Change in Net Assets	 (220)	 (249)
 Net Assets at Beginning of Year	 <u>20,731</u>	 <u>11,914</u>
 Net Assets at End of Year	 <u>\$ 20,511</u>	 <u>\$ 11,665</u>

The accompanying notes are an integral part of these financial statements.



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 1 - Description of the School District and Reporting Entity

Bath 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 as authorized by state and federal guidelines.

The School District was established in 1936. The School District serves an area of approximately forty-four square miles and is located in Allen County. The School District is the 279th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-six classified employees, one hundred and sixteen certified teaching personnel, and twelve administrative employees who provide services to 2,026 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Bath Local School District, this includes general operations, food service, and student related activities of the School District.

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. There are no component units of the Bath Local School District.

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative; the Apollo Joint Vocational School; the West Central Ohio Special Education Regional Resource Center; the Local Professional Development Committee Consortium – Spencerville, Perry, and Bath Local Schools; the Northwestern Ohio Educational Research Council, Inc.; the Ohio School Plan; and the Allen County Schools Health Benefits Plan. These organizations are presented in Notes 13 and 14 to the basic financial statements.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 2 - Summary of Significant Accounting Policies

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principals. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest 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.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 2 - Summary of Significant Accounting Policies – (continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting - The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's two major funds are the General Fund and the Permanent Improvement capital projects fund.

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.

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for the acquisition, construction or improvement of capital facilities.

The other governmental funds of the School District account for grants and other resources whose use are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-managed and student-managed activities.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 2 - Summary of Significant Accounting Policies – (continued)

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Budgetary Process

All funds, except agency funds, are legally, required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the object level within each function and fund. Budgetary allocations at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 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. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2004, investments were limited to non-negotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

The Board of Education has allocated interest earnings according to board resolution and State statutes. Interest revenue credited to the General Fund during fiscal year 2004 was \$37,112.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, budget stabilization, and unexpended revenues restricted for the purchase of school buses.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 2- Summary of Significant Accounting Policies - (continued)

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These financial statements do not report these acquisitions as assets.

Compensated-Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

Long-Term Obligations

These cash basis financial statements do not report liabilities for bonds and other long term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments.

Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 2- Summary of Significant Accounting Policies - (continued)

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for textbooks, budget stabilization, bus purchase, and encumbrances.

The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 3 - Change in Accounting Principles, and Restatement of Fund Balance and Reclassification of a Fund

Change in Accounting Principles

For fiscal year 2004, the School District elected to report on the cash-basis of accounting under GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

Restatement of Fund Balance and Reclassification of a Fund

The School District previously reported under generally accepted accounting principles. Effective July 1, 2003, the School District is reporting under the method described in Note 1. Beginning balances were restated to the cash basis of accounting.

In addition, the E-rate fund (588-0000) was classified as part of the general fund in the prior year. However, even though the School District is not required to maintain a separate fund under guidance provided by Auditor of State Bulletin (2000-14), the School District has maintained this fund as a special revenue fund.

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Activities</u>
Fund Balance June 30, 2003 - GAAP Basis \$	557,070	\$ 755,564	\$ 365,661	\$ 1,678,295
Revenue Accruals	(8,137,785)	(813,192)	(185,031)	(9,136,008)
Expense Accruals	9,116,292	1,029,208	297,266	10,442,766
Reclassification of Fund	(5,924)	-	5,924	-
Fund Balance June 30, 2003 - Cash Basis \$	<u>1,529,653</u>	<u>\$ 971,580</u>	<u>\$ 483,820</u>	<u>\$ 2,985,053</u>



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 4 - 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which 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 (FDIC), 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 4 - Deposits and Investments - (continued)

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

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

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$1,602,334 and the bank balance was \$1,997,946. Of the bank balance, \$228,156 was covered by federal depository insurance and \$1,769,790 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2004, the fair value of funds on deposit with STAR Ohio was \$1,510,609.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 4 - Deposits and Investments - (continued)

Reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposit	Investments
GASB Statement No 9	\$ 3,113,043	\$ -
Cash on Hand	(100)	-
Investments:		
STAR Ohio	(1,510,609)	1,510,609
GASB Statement No 3	\$ 1,602,334	\$ 1,510,609

Note 5 - 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 property, public utility property, and tangible personal (used in business), property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, 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.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 5 - Property Taxes - (continued)

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 108,827,310	38.08 %	\$ 132,069,970	44.71 %
Industrial/Commercial	47,513,990	16.63	49,211,180	16.66
Public Utility	16,552,810	5.79	17,517,380	5.93
Tangible Personal	<u>112,896,430</u>	<u>39.50</u>	<u>96,617,437</u>	<u>32.70</u>
Total Assessed Value	<u>\$ 285,790,540</u>	<u>100.00 %</u>	<u>\$ 295,415,967</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$ 32.27		\$ 31.81	

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 7 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following insurance coverage:

Coverage provided by Mid-American Fire and Casualty Company is as follows:

Buildings and Contents - replacement cost (\$2,500 deductible)	\$	40,066,000
Inland Marine (\$500 deductible)		853,000

Coverage provided by Auto Owners Insurance Agency is as follows:

Liability	\$	1,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000

Coverage provided by Ohio School Plan is as follows:

General School District Liability		
Per Occurrence	\$	1,000,000
Aggregate		3,000,000
Employers Liability		1,000,000
Employee Benefits Liability		
Each Occurrence	\$	1,000,000
Aggregate		3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2004, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Allen County Schools Health Benefits Plan (Plan), a public entity shared risk pool consisting of ten school districts and the Allen County Educational Service Center. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program and the payment of claims. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 8 - Defined Benefit Pension Plans

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$871,284, \$875,141, and \$873,297, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 8 - Defined Benefit Pension Plans

School Employees Retirement System

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended; up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$290,868, \$272,712, and \$272,187, respectively; 40 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9 – Post-employment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$62,235.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 9 – Post-employment Benefits - (continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.1 million at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$102,012 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefit of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 10 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred eighty days for all employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-five days for all employees.

Health Care Benefits

The School District offers medical and dental insurance to all employees through the Allen County Schools Health Benefits Plan. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Life insurance is offered to all employees through CBA Benefits.



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 11- Debt Obligations

At June 30, 2004, the School District had two outstanding debt obligations.

Asbestos Loan - On March 25, 1987, the School District obtained an interest free loan, in the amount of \$253,263 from the United States Environmental Protection Agency for asbestos removal. The loan was issued for a twenty-year period, with final maturity in fiscal year 2007. The loan is being repaid from the Permanent Improvement capital projects fund.

Sewer Improvement Loan Project - On August 11, 2001, the School District was assessed for sewer lines to connect the High School and Elementary School to Slabtown Road and the Middle School to Bible Road. The assessment is being billed over twenty years.

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2004, were as follows:

Fiscal Year Ending	Asbestos Loan	Sewer Improvements Project Loan	
	Principal	Principal	Interest
2005	\$ 14,070	\$ 17,452	\$ 20,748
2006	14,070	18,373	19,798
2007	7,037	19,279	18,799
2008	-	20,274	17,749
2009	-	21,269	16,647
2010-2014	-	123,722	64,642
2015-2019	-	195,014	27,400
Totals	\$ 35,177	\$ 415,383	\$ 185,783

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 12 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2004.

	<u>Textbooks</u>		<u>Capital Improvements</u>		<u>Budget Stabilization</u>
Balance June 30, 2003	\$ 253,516	\$	-	\$	47,142
Current Year Set Aside Requirement	267,289		267,289		-
Qualifying Expenditures	<u>(236,064)</u>		<u>(267,289)</u>		<u>-</u>
Balance June 30, 2004	<u>\$ 284,741</u>	\$	<u>-</u>	\$	<u>47,142</u>

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 13 - Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization 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 educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2004, the School District paid \$11,819 to NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School

The Apollo Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio, 43326-2385.

Local Professional Development Committee Consortium - Spencerville, Perry, and Bath Local Schools

The Local Professional Development Committee Consortium Spencerville, Perry, and Bath Local Schools (SPEBA) is a jointly governed organization consisting of Spencerville, Perry, and Bath Local School Districts. The organization was formed to review coursework and other professional development activities completed by educators within the school districts and used for the renewal of certificates and licenses.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 13- Jointly Governed Organizations - (continued)

SPEBA is governed by a five-member committee made up of representatives from the participating school districts. The degree of control exercised by any participating school district is limited to its representation on the committee.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Note 14- Insurance Pools

Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 14 - Insurance Pools - (continued)

Allen County Schools Health Benefits Plan

The School District participates in the Allen County Schools Health Benefits Plan (Plan), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County 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 and dental benefits to the employees of the participants. Each participant's superintendent is appointed to a Board of Directors which advises the Trustee, Allen County Educational Service Center, concerning aspects of the administration of the Plan.

Each participant decides which plan offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Brian Rockhold, who serves as Chairman, 204 North Main Street, Lima, Ohio 45801.

Note 15 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 16 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

Litigation

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

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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SCHEDULE OF FEDERAL AWARDS EXPENDITURES - CASH BASIS

For the Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ <u>Program Titles</u>	Pass Through Entity <u>Number</u>	Federal CFDA <u>Number</u>
<u>U.S. Department of Education</u> (Passed-Through Ohio Department of Education)		
Handicapped Preschool and School Program Title VI-B	045765-6BSF-2003-F 045765-6BSF-2004	84.027 84.027
Education Consolidation and Improvement Act of 1981	045765-C1S1-2003 045765-C1S1-2004	84.010 84.010
Innovative Education Program Strategy	045765-C2S1-2003 045765-C2S1-2004	84.298 84.298
Drug Free School Grant	045765-DRS1-2003 045765-DRS1-2004	84.186 84.186
Education Technology State Grants	045675-TJS1-2003 045675-TJS1-2004	84.318 84.318
Improving Teacher Quality State Grants	045675-TRS1-2003 045675-TRS1-2004	84.367 84.367
Total U.S. Department of Education		
<u>U.S. Department of Agriculture</u> (Passed-Through Ohio Department of Education)		
Child Nutrition Cluster:		
National School Breakfast Program		10.553
National School Lunch Program		10.555
Food Distribution Program (at Fair Market Value)		10.550
Total Child Nutrition Cluster		
Total U. S. Department of Agriculture		
Total Federal Financial Assistance		

**Note A - Significant Accounting Policies**

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

**Note B - Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had \$6,909 of food commodities in inventory.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 29,719	\$ -	\$ 14,836	\$ -
231,119	-	216,782	-
<u>260,838</u>	<u>-</u>	<u>231,618</u>	<u>-</u>
36,933	-	37,717	-
188,901	-	183,960	-
<u>225,834</u>	<u>-</u>	<u>221,677</u>	<u>-</u>
1,080	-	1,623	-
9,891	-	12,999	-
<u>10,971</u>	<u>-</u>	<u>14,622</u>	<u>-</u>
6,742	-	7,839	-
3,249	-	2,396	-
<u>9,991</u>	<u>-</u>	<u>10,235</u>	<u>-</u>
-	-	628	-
5,397	-	5,101	-
<u>5,397</u>	<u>-</u>	<u>5,729</u>	<u>-</u>
33,509	-	37,508	-
44,253	-	39,765	-
<u>77,762</u>	<u>-</u>	<u>77,273</u>	<u>-</u>
<u>590,793</u>	<u>-</u>	<u>561,154</u>	<u>-</u>
25,051	-	25,051	-
160,460	-	160,460	-
<u>-</u>	<u>76,336</u>	<u>-</u>	<u>82,752</u>
<u>185,511</u>	<u>76,336</u>	<u>185,511</u>	<u>82,752</u>
185,511	76,336	185,511	82,752
<u>\$ 776,304</u>	<u>\$ 76,336</u>	<u>\$ 746,665</u>	<u>\$ 82,752</u>

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# **E.S. Evans and Company**

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

November 12, 2004

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

Board of Education  
Bath Local School District                      and  
Allen County, Ohio

Auditor of State of Ohio  
Columbus, Ohio

We have audited the accompanying financial statements of Bath Local School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bath Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings as item 2004-8120-001. We also noted certain immaterial instances of noncompliance, which we have reported to management of Bath Local School District in a separate letter dated November 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bath Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Bath Local School District in a separate letter dated November 12, 2004.

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

A handwritten signature in red ink, appearing to read "E. L. ...", is located in the lower right quadrant of the page.



# **E.S. Evans and Company**

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

November 12, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Bath Local School District      and  
Allen County, Ohio

Auditor of State of Ohio  
Columbus, Ohio

Compliance

We have audited the compliance of Bath Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Bath Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bath Local School District's management. Our responsibility is to express an opinion on Bath Local School District's compliance based on our audit.

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

In our opinion, Bath Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Bath Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bath Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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SCHEDULE OF FINDINGS AND QUESTIONED  
COSTS OMB CIRCULAR A-133 § .505

June 30, 2004

A. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list): Child Nutrition Cluster	CFDA #10.555 School Lunch Program CFDA #10.553 School Breakfast Prog CFDA#10.550 Food Distribution Prog
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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SCHEDULE OF FINDINGS AND QUESTIONED  
COSTS OMB CIRCULAR A-133 § .505

June 30, 2004

B. Findings Related To The Financial Statements Required  
To Be Reported In Accordance With GAGAS

Finding Number 2004-8120-001

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with generally accepted accounting principles.

C. Findings and Questioned Costs for Federal Awards

None

BATH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY, OHIO

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SCHEDULE OF PRIOR AUDIT FINDINGS AND  
QUESTIONED COSTS OMB CIRCULAR A-133 § .315(b)

June 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
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None







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**BATH LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 5, 2005**