



Dave Yost • Auditor of State

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Bath Local School District
Allen County
2650 Bible Road
Lima, Ohio 45801

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 17, during 2011 the School District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 12, 2012

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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, 2011. 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 2011 are as follows:

- In total, net assets decreased \$1,275,913, or 8 percent, indicating a significant change from the prior fiscal year. This decrease is the result of an increase in expenses (salaries, insurance, utilities, supplies, purchased services) and receipts not keeping pace. General receipts accounted for \$15,927,953, or 86 percent of all receipts, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.
- H.B. 153 reduces the school district's tangible personal property tax fixed rate reimbursements by twenty-five percent for FY 2012 and an additional twenty-five percent for FY 2013. In addition to these reductions, the Federal State Fiscal Stabilization funds (SFSF), which Ohio used to help balance its General Revenue Fund for education, has been eliminated as of June 30, 2011. Overall, Bath Local School District anticipates a net loss of \$1,613,703 in operating revenues from the state budget and SFSF elimination for FY 12 and FY 13, over what was received in FY 11.
- FY 2011 is the eighth year that financial statements were prepared on the modified cash basis utilizing the GASB 34 format. 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.

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 non-major funds presented in total in a single column. For Bath Local School District, the General Fund is the most significant fund.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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 2011 on the modified 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 fund is the General Fund.

Governmental Funds - All 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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

**Table 1
Net Assets**

	Governmental Activities	
	2011	2010
Assets:		
Cash and Cash Equivalents	\$ 2,926,173	\$ 2,087,445
Investments	11,032,142	13,146,783
Total Assets	<u>13,958,315</u>	<u>15,234,228</u>
Net Assets:		
Restricted	3,304,921	3,735,208
Unrestricted	10,653,394	11,499,020
Total Net Assets	<u>\$13,958,315</u>	<u>\$15,234,228</u>

Table 2 reflects the changes in net assets for fiscal years 2011 and 2010. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

Table 2 -Change in Net Assets

	Governmental Activities	
	2011	2010
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 876,312	\$ 876,901
Operating Grants, Contributions, and Interest	1,701,558	1,605,962
Capital Grants and Contributions	23,000	23,000
Total Program Receipts	<u>2,600,870</u>	<u>2,505,863</u>
General Receipts:		
Property Taxes Levied for General Purposes	6,665,187	6,395,432
Property Taxes Levied for Permanent Improvements	532,688	500,254
Grants and Entitlements	8,409,917	8,421,414
Proceeds from Sale of Bonds		629,919
Interest	153,064	317,320
Miscellaneous	167,097	180,217
Total General Receipts	<u>15,927,953</u>	<u>16,444,556</u>
Total Receipts	<u>18,528,823</u>	<u>18,950,419</u>

(Continued)

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

**Table 2 -Change in Net Assets
(Continued)**

	Governmental Activities	
	2011	2010
Disbursements:		
Instruction:		
Regular	8,133,909	7,683,226
Special	1,833,320	1,562,408
Other	954,522	925,027
Support Services:		
Pupils	876,188	734,310
Instructional Staff	379,945	400,789
Board of Education	66,176	62,439
Administration	1,401,370	1,268,176
Fiscal	559,248	543,683
Operations and Maintenance of Plants	2,350,568	2,143,657
Pupil Transportation	932,196	917,515
Central	154,431	160,376
Non-Instructional Services	840,507	859,841
Extracurricular Activities	754,047	728,867
Capital Outlay	479,235	27,975
Debt Service:		
Principal Retirement	63,402	22,376
Interest and Fiscal Charges	27,628	20,444
Total Disbursements	<u>19,806,692</u>	<u>18,061,109</u>
Excess Receipts before Transfers	(1,277,869)	889,310
Transfers	1,956	
Increase/(Decrease) in Net Assets	<u><u>(\$1,275,913)</u></u>	<u><u>\$ 889,310</u></u>

Program receipts account for over 14 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for over 55 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for over 11 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant portion of cash disbursements, 12 percent. Therefore, over 78 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and unrestricted grants and entitlements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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 cash receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost Of Services 2011	Total Cost Of Services 2010	Net Cost Of Services 2011	Net Cost Of Services 2010
Instruction:				
Regular	\$ 8,133,909	\$ 7,683,226	\$ 7,502,152	\$ 7,176,264
Special	1,833,320	1,562,408	951,898	678,608
Other	954,522	925,027	954,522	925,027
Support Services:				
Pupils	876,188	734,310	876,188	734,310
Instructional Staff	379,945	400,789	379,945	400,789
Board of Education	66,176	62,439	66,176	62,439
Administration	1,401,370	1,268,176	1,396,370	1,263,176
Fiscal	559,248	543,683	559,248	543,683
Operation and Maintenance of Plant	2,350,568	2,143,657	2,350,568	2,143,657
Pupil Transportation	932,196	917,515	922,196	905,515
Central	154,431	160,376	154,431	160,376
Non-Instructional Services	840,507	859,841	(7,694)	(2,954)
Extracurricular Activities	754,047	728,867	529,557	493,561
Capital Outlay	479,235	27,975	479,235	27,975
Debt Service	91,030	42,820	91,030	42,820
Total Disbursements	<u>\$19,806,692</u>	<u>\$18,061,109</u>	<u>\$17,205,822</u>	<u>\$15,555,246</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 86 percent of instruction activities are supported through taxes and other general receipts. Operation of food services (non-instructional services) was completely funded by program cash receipts for the current fiscal year. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Thirty percent of extracurricular activities disbursements are covered by program cash receipts. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general receipts is over 87 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

Total governmental funds had cash receipts and other financing sources of \$18,742,651 and disbursements and other financing uses of \$20,018,546. The negative change of \$1,275,913 in fund balance for the year indicates that the School District was not able to meet current costs without utilizing carryover funds.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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 2011, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$15,291,690, were below actual receipts of \$15,307,487. The \$15,797 difference is generally insignificant.

Final disbursements were budgeted at \$16,334,508 while actual disbursements were \$16,181,084. The School District was able to restrict spending below what was anticipated. The \$153,424 is mainly attributable to controlling expenses due to financial constraints. The School District appropriates conservatively in order to cover disbursements.

Capital Assets and Debt Administration

Capital Assets

The School District's financial statements are prepared on the modified cash basis of accounting and thus, capital assets acquired by the district are recorded as disbursements and have not been capitalized.

Debt

The School District had one loan outstanding and also owes on limited tax general obligation energy conservation bonds at the end of the fiscal year. Principal balance owed on the bonds at June 30, 2011 is \$590,000 and principal balance on the sewer improvement loan is \$272,878. For further information regarding the School District's debt see Note 10 to the basic financial statements.

Current Issues

The Elementary Building bond levy on the May 2011 ballot did not pass. The Board of Education continues to study building options and evaluate the district facilities plan. Due to state funding reductions the Board must also evaluate operational costs and consider future revenue needs. Moving into 2011-12, the Board reduced 8.5 certified staff through attrition, and both unions agreed to zero percent base raises for the next three years. This spirit of cooperation is essential as we continue to provide the best possible education for Bath students.

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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,923,922
Restricted Cash and Cash Equivalents	1,002,251
Investments	11,032,142
Total Assets	<u>13,958,315</u>
Net Assets:	
Restricted For:	
Capital Projects	1,081,561
Debt Service	3,418
Federally Funded Projects	41,251
Library Materials	103,543
Other Purposes	2,075,148
Unrestricted	10,653,394
Total Net Assets	<u>\$13,958,315</u>

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

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Cash Disbursements	Program Receipts			Net (Disbursements) Receipts and Change in Net Assets
		Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instructions:					
Regular	\$8,133,909	\$192,472	\$439,285		(\$7,502,152)
Special	1,833,320	13,345	868,077		(951,898)
Vocational					
Other	954,522				(954,522)
Support Services:					
Pupils	876,188				(876,188)
Instructional Staff	379,945				(379,945)
Board of Education	66,176				(66,176)
Administration	1,401,370		5,000		(1,396,370)
Fiscal	559,248				(559,248)
Operation and Maintenance of Plant	2,350,568				(2,350,568)
Pupil Transportation	932,196		10,000		(922,196)
Central	154,431				(154,431)
Non-Instructional Services	840,507	469,005	379,196		7,694
Extracurricular Activities	754,047	201,490		\$23,000	(529,557)
Capital Outlay	479,235				(479,235)
Debt Service:					
Principal Retirement	63,402				(63,402)
Interest and Fiscal Charges	27,628				(27,628)
Total Governmental Activities	\$19,806,692	\$876,312	\$1,701,558	\$23,000	(17,205,822)
General Receipts:					
Property Taxes Levied for General Purposes					6,665,187
Property Taxes Levied for Permanent Improvements					532,688
Grants and Entitlements not Restricted to Specific Programs					8,409,917
Interest					153,064
Miscellaneous					167,097
Total General Receipts					15,927,953
Transfers					1,956
Total General Receipts and Transfers					15,929,909
Change in Net Assets					(1,275,913)
Net Assets Beginning of Year					15,234,228
Net Assets End of Year					\$13,958,315

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,502,871	\$421,051	\$1,923,922
Restricted Cash and Cash Equivalents	1,002,251		1,002,251
Investments	9,444,709	1,587,433	11,032,142
Total Assets	<u>11,949,831</u>	<u>2,008,484</u>	<u>13,958,315</u>
Fund Balances:			
Restricted:			
Debt Service Fund		3,418	3,418
Capital Outlay		1,081,561	1,081,561
Textbooks	1,001,796		1,001,796
Bus Purchases	455		455
Food Services		514,374	514,374
Extracurricular		112,873	112,873
Special Education		21,744	21,744
Targeted Academic Assistance		15,876	15,876
Scholarships		103,947	103,947
Other Purposes		7,174	7,174
Committed:			
Termination Benefits	221,088		221,088
Other Purposes	11,000	47,517	58,517
Library Resources		100,000	100,000
Assigned:			
Current Obligations	176,545		176,545
Other Purposes	62,098		62,098
Unassigned	10,476,849		10,476,849
Total Fund Balances	<u>\$11,949,831</u>	<u>\$2,008,484</u>	<u>\$13,958,315</u>

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:			
Property Taxes	\$6,665,187	\$532,688	\$7,197,875
Intergovernmental	7,144,340	2,024,681	9,169,021
Interest	130,485	22,579	153,064
Tuition and Fees	1,137,438		1,137,438
Extracurricular Activities	93,877	201,490	295,367
Charges for Services		469,005	469,005
Rentals		2,240	2,240
Miscellaneous	61,331	36,609	97,940
Total Receipts	<u>15,232,658</u>	<u>3,289,292</u>	<u>18,521,950</u>
Disbursements:			
Current:			
Instruction:			
Regular	7,462,440	671,469	8,133,909
Special	1,222,269	611,051	1,833,320
Other	924,359	30,163	954,522
Support Services:			
Pupils	807,399	68,789	876,188
Instructional Staff	196,341	183,604	379,945
Board of Education	66,176		66,176
Administration	1,276,388	124,982	1,401,370
Fiscal	542,928	16,320	559,248
Operation and Maintenance of Plant	1,757,960	592,608	2,350,568
Pupil Transportation	847,344	84,852	932,196
Central	152,473	1,958	154,431
Non-Instructional Services		840,507	840,507
Extracurricular Activities	547,032	207,015	754,047
Capital Outlay	4,355	474,880	479,235
Debt Service:			
Principal Retirement	39,919	23,483	63,402
Interest and Fiscal Charges	11,284	16,344	27,628
Total Disbursements	<u>15,858,667</u>	<u>3,948,025</u>	<u>19,806,692</u>
Excess of Receipts Over (Under) Disbursements	<u>(626,009)</u>	<u>(658,733)</u>	<u>(1,284,742)</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	6,873		6,873
Advances In	66,000	79,931	145,931
Advances Out	(79,931)	(66,000)	(145,931)
Transfers In	1,956	65,941	67,897
Transfers Out	(65,941)		(65,941)
Total Other Financing Sources (Uses)	<u>(71,043)</u>	<u>79,872</u>	<u>8,829</u>
Net Change in Fund Balances	(697,052)	(578,861)	(1,275,913)
Fund Balances Beg of Year - Restated Note 17	12,646,883	2,587,345	15,234,228
Fund Balances End of Year	<u>\$11,949,831</u>	<u>\$2,008,484</u>	<u>\$13,958,315</u>

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$6,664,000	\$6,664,000	\$6,665,187	\$1,187
Intergovernmental	7,136,000	7,136,000	7,144,340	8,340
Interest	127,640	127,640	130,485	2,845
Tuition and Fees	1,061,900	1,061,900	1,137,438	75,538
Extracurricular Activities	170,000	170,000	93,877	(76,123)
Miscellaneous	60,300	60,300	61,331	1,031
Total Receipts	<u>15,219,840</u>	<u>15,219,840</u>	<u>15,232,658</u>	<u>12,818</u>
Disbursements:				
Current:				
Instruction:				
Regular	7,442,185	7,425,006	7,493,456	(68,450)
Special	556,000	1,245,785	1,222,269	23,516
Other	950,000	950,000	924,359	25,641
Support Services:				
Pupils	696,274	810,526	808,489	2,037
Instructional Staff	233,965	220,640	196,341	24,299
Board of Education	94,588	94,588	82,888	11,700
Administration	1,184,138	1,290,108	1,277,269	12,839
Fiscal	574,398	574,398	563,371	11,027
Operation and Maintenance of Plant	1,805,946	1,858,831	1,831,351	27,480
Pupil Transportation	854,469	873,769	862,591	11,178
Central	167,000	169,500	152,488	17,012
Non-Instructional Services	124,810	124,810		124,810
Extracurricular Activities	554,839	558,889	549,137	9,752
Capital Outlay	20,000	20,000	20,000	
Debt Service:				
Principle Retirement	39,919	39,919	39,919	
Interest and Fiscal Charges	11,285	11,285	11,284	1
Total Disbursements	<u>15,309,816</u>	<u>16,268,054</u>	<u>16,035,212</u>	<u>232,842</u>
Excess of Receipts Under Disbursements	<u>(89,976)</u>	<u>(1,048,214)</u>	<u>(802,554)</u>	<u>245,660</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	4,000	4,000	6,873	2,873
Refund of Prior Year Receipts		(454)		454
Advances In	66,000	66,000	66,000	
Advances Out			(79,931)	(79,931)
Transfers In	1,850	1,850	1,956	106
Transfers Out	(70,000)	(66,000)	(65,941)	59
Total Other Financing Sources (Uses)	<u>1,850</u>	<u>5,396</u>	<u>(71,043)</u>	<u>(76,439)</u>
Net Change in Fund Balance	(88,126)	(1,042,818)	(873,597)	169,221
Fund Balance at Beginning of Year	12,391,554	12,391,554	12,391,554	
Prior Year Encumbrances Appropriated	255,329	255,329	255,329	
Fund Balance at End of Year	<u>\$12,558,757</u>	<u>\$11,604,065</u>	<u>\$11,773,286</u>	<u>\$169,221</u>

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS - JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$21,495	\$10,454
Net Assets:		
Held for Student Activities		10,454
Held in Trust for Scholarships	21,495	
	\$21,495	\$10,454

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND - FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$239
Gifts and Donations	2,500
Total Additions	<u>2,739</u>
Deductions:	
Scholarships	<u>3,000</u>
Change in Net Assets	(261)
Net Assets at Beginning of Year	<u>21,756</u>
Net Assets at End of Year	<u><u>\$21,495</u></u>

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

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 staffed by one hundred one classified employees and one hundred nineteen certified personnel who provide services to 1,873 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 four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative; the Apollo Joint Vocational School; the Local Professional Development Committee Consortium – Spencerville, Perry, and Bath Local Schools; the Northwestern Ohio Educational Research Council, Inc.; the Allen County Schools Health Benefits Plan; and the OASBO CompManagement Worker's Compensation Group Rating Program. These organizations are presented in Notes 12 and 13 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

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 the modified cash basis of accounting. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

B. 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.

1. 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 cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program cash receipts 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. Cash receipts, which are not classified as program cash receipts, are presented as general cash receipts of the School District, with certain limited exceptions. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the School District.

2. 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. Non-major 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Major Funds

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

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.

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.

C. 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 cash receipts 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool or used to purchase short-term investments. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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.

During fiscal year 2011, investments were limited to federal bonds, US Treasury Notes, Money Market Funds, and STAR Ohio. Investments are reported at cost except for 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, 2011. Purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

The Board of Education has allocated interest earnings according to board resolution and State statutes. Interest receipts credited to the General Fund during fiscal year 2011 was \$130,485 which includes \$3,692 assigned from other funds.

E. 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, and school bus purchases.

F. 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.

G. 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 modified cash basis of accounting used by the School District.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Long-Term Obligations

These modified 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.

I. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as expenditures/disbursements 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/disbursements to the funds that initially paid for them are not presented on the financial statements.

J. 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.

K. 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, a state grants restricted to bus purchases, and the textbook set-aside.

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

L. Fund Balances

The School District reports classifications of fund cash balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Non-spendable – amounts that cannot be spent because they are either (a) not in spendable form, (b) legally or (c) contractually required to be maintained intact. The not in spendable form includes items that are not expected to be converted to cash.

Restricted – amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

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

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year-end (budgetary basis) amount to \$176,545 in the General Fund.

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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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".

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4 DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$2,958,023 and the bank balance was \$3,240,096. Of the bank balance, \$767,110 was covered by federal depository insurance and \$2,472,986 was uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and 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 Federal District Insurance Corporation.

B. Investments

	Value of 6-30-11	% of Total Investment	0-1 Year	1-5 Years
Fed Farm Credit Bank Bonds	\$ 752,048	6.82%		\$ 752,048
Fed Home Loan Bank Bonds	1,529,178	13.86%		1,529,178
Fed National Mtg Bonds	1,426,695	12.93%		1,426,695
US Treasury Note	5,379,893	48.77%	\$4,314,865	1,065,028
STAR Ohio	1,944,328	17.62%	1,944,328	
Totals	<u>\$11,032,142</u>	<u>100.00%</u>	<u>\$6,259,193</u>	<u>\$4,772,949</u>

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risks by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The School District's investments at June 30, 2011, in Federal Bonds and Star Ohio are rated AAA and AAAM, respectively by Standard & Poor's.

Concentration Risk

The School District's policy places no limit on the amount the District may invest in any one issuer. It is required that the District's portfolio remain sufficiently liquid to meet reasonably anticipated operational requirements. Approximately 83% of the District's investments are in Federal Bonds and US Treasuries. These investments are approximately 34% and 49%, respectively of the District's total investments for the amounts listed above.

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 receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Public utility real and tangible personal property taxes received in calendar year 2011 from telephone companies became a lien on December 31, 2009, were levied after April 1, 2010, 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 receipts received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes. Tangible personal property taxes received in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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.

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$148,483,950	64.02%	\$149,248,700	64.95%
Industrial/Commercial	63,648,420	27.44%	60,234,930	26.21%
Utility Real	281,430	0.12%	286,790	0.12%
Utility Personal	19,519,080	8.42%	20,030,050	8.72%
Total Assessed Value	\$231,932,880	100.00%	\$229,800,470	100.00%
Tax rate per \$1,000 of assessed valuation:				
Personal Property		\$34.17		
Agricultural/Residential		\$32.93		
Industrial/Commercial		\$34.02		

6. 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 2011, the School District contracted for the following insurance coverage:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$42,460,200
Automobile Liability	1,000,000
General Liability	
Per 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.

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.

For fiscal year 2011, the School District participated in the OASBO CompManagement Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". The "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio 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 Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad St., Columbus, OH 43215-3771 or by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, 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 DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,002,108, \$959,225, and \$932,412, respectively; 82 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent. The contribution requirements of plan members and employers are established and may be amended up to statutory maximums by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$283,412, \$273,575, and \$310,536, respectively; 58 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

C. 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 STRS/SERS Ohio. As of June 30, 2011, some of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

8. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$77,085, \$73,787, and \$71,724 respectively; 82 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS.

The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. School District contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$18,238, \$16,269 and \$25,621, respectively; 58 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. School District contributions assigned to health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$34,317, \$9,847 and \$142,115, respectively; 58 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. POSTEMPLOYMENT BENEFITS (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

9. OTHER EMPLOYEE BENEFITS

A. 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.

B. 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.

10. DEBT OBLIGATIONS

At June 30, 2011, the School District had two outstanding debt obligation.

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. The debt is being retired from the Capital Project – Permanent Improvement Fund.

Limited Tax General Obligation Energy Conservation Bonds - During Fiscal Year 2010, the School District issued \$629,919 of Qualified School Construction Bonds, Series 2009 at an interest rate of 1.85%. The proceeds were used for an energy conservation project in which the energy savings are guaranteed to cover the cost of the financed project. The bonds are being retired over fifteen years from the General Fund.

	Principal Outstanding 6/30/2010	Additions	Deductions	Principal Outstanding 6/30/2011
Sewer Improve Loan	\$296,361		(\$23,483)	\$272,878
Gen Oblig Bonds	629,919		(39,919)	590,000
TotalL	\$926,280	\$0	(\$63,402)	\$862,878

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. DEBT OBLIGATIONS (Continued)

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2011, are as follows:

Fiscal Year Ending	Sewer Improvements Project Loan		General Obligation Bonds		Total Due
	Principal	Interest	Principal	Interest	
2012	\$ 24,682	\$14,272	\$ 35,000	\$10,591	\$ 84,545
2013	25,947	12,994	40,000	9,898	88,839
2014	27,236	11,650	40,000	9,157	88,043
2015	28,614	10,237	40,000	8,418	87,269
2016	30,084	8,757	40,000	7,678	86,519
2017-2021	136,315	1 8,642	215,000	26,871	396,828
2022-2024			180,000	6,660	186,660
Totals	<u>\$272,878</u>	<u>\$76,552</u>	<u>\$590,000</u>	<u>\$79,273</u>	<u>\$1,018,703</u>

11. SET ASIDES

The School District is required by State law to set-aside certain general fund revenue amounts, as defined by state statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	Textbooks	Capital Improvements
Carryover Balance June 30, 2010	\$ 894,474	
Required Set-Aside	281,431	\$281,431
Current Year Offsets		(281,431)
Qualifying Expenditures	(174,109)	
Total	<u>1,001,796</u>	
Balance Carried Forward to Subsequent Year	<u>\$1,001,796</u>	<u>\$ 0</u>

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. In addition, effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law.

12. JOINTLY GOVERNED ORGANIZATIONS

A. 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 2011, the School District paid \$41,472 to NOACSC for various services. Financial information can be obtained from Ray Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. 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, Treasurer's Office, 3325 Shawnee Road, Lima, Ohio 45806.

C. 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.

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. As of June 30, 2011, there was no financial information available for this Committee.

D. 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.

13. INSURANCE POOLS

A. 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. INSURANCE POOLS (Continued)

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, at the Allen County Educational Service Center, 1920 Slabtown Rd, Lima, Ohio 45804.

B. OASBO/CompManagement Workers' Compensation Group Rating Plan

The School District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

15. INTERFUND TRANSFERS

During fiscal year 2011, the School District transferred \$65,941 from the General Fund to the Education Management Info System Fund. In addition, \$1,956 was transferred from the Class of 2011 (Agency Fund) to the Principal Accounts (included in the General Fund).

16. INTERFUND ADVANCES

During fiscal year 2011, the School District made advances between funds as follows:

	Advances In	Advances Out
Governmental:		
General Fund	\$66,000	\$79,931
All Other Governmental Funds	79,931	66,000
Total Governmental	\$145,931	\$145,931

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

17. ACCOUNTABILITY

A. Change in Accounting Principle

For Fiscal Year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the District's governmental fund cash balances as previously reported:

	<u>General</u>	<u>Non-major Governmental</u>	<u>Total Governmental</u>
Fund Cash Balance as previously reported	\$12,441,091	\$2,793,137	\$15,234,228
Fund Re-classifications:			
Uniform School Supplies	129,586	(129,586)	
Principal Accounts	65,206	(65,206)	
Liability – Self Insurance	11,000	(11,000)	
Total Fund Re-classifications	<u>205,792</u>	<u>(205,792)</u>	
Restated Fund Cash Balance at July 1, 2010	<u>\$12,646,883</u>	<u>\$2,587,345</u>	<u>\$15,234,228</u>

The fund reclassifications did not have an effect on net cash assets as previously reported.

18. NONCOMPLIANCE

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial reports in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements on a modified-cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances and disclosures that, while material, cannot be determined at this time. The School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$4,522		\$4,104
National School Lunch Program	10.555		165,225		142,896
Cash Assistance:					
School Breakfast Program	10.553	\$54,320		\$54,320	
National School Lunch Program	10.555	316,424		316,424	
Total Nutrition Cluster		<u>370,744</u>	<u>169,747</u>	<u>370,744</u>	<u>147,000</u>
Total United States Department of Agriculture		<u>370,744</u>	<u>169,747</u>	<u>370,744</u>	<u>147,000</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title 1 Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	241,637		241,031	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	60,429		74,407	
Total Title I Part A Cluster		<u>302,066</u>		<u>315,438</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	365,771		360,110	
ARRA Special Education Grants to States, Recovery Act	84.391	192,800		220,224	
Total Special Education Cluster		<u>558,571</u>		<u>580,334</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186			225	
Educational Technology State Grants	84.318	895		895	
Improving Teacher Quality State Grants	84.367	85,363		85,419	
ARRA State Fiscal Stabilization Fund (SFSF)					
Education State Grants, Recovery Act	84.394	347,097		389,407	
Total United States Department of Education		<u>1,293,992</u>		<u>1,371,718</u>	
Total Federal Financial Assistance		<u>\$1,664,736</u>	<u>\$169,747</u>	<u>1,742,462</u>	<u>\$147,000</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Bath Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Bath Local School District
Allen County
2650 Bible Road
Lima, Ohio 45801

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Bath Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 12, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 12, 2012.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 12, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Bath Local School District
Allen County
2650 Bible Road
Lima, Ohio 45801

To the Board of Education:

Compliance

We have audited the compliance of Bath Local School District (the 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 could directly and materially affect each of Bath Local School District's major federal programs for the fiscal year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the Bath Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2011-03.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings and questioned costs as item 2011-02. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School District's response to the finding we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 12, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 12, 2012

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 Cluster: CFDA #84.010 and #84.389 Special Education Cluster: CFDA #84.027 and #84.391 ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act - CFDA#84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2011-01

Material Weakness

Accuracy of Financial Reporting

The School District should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the accounting records and financial statements to assist in reporting of financial activity and effective management of resources.

The following errors were identified on the annual financial statements:

- Outstanding encumbrances in the amount of \$176,545 in the general fund at June 30 were reported as "Unassigned" fund balance instead of "Assigned for Current Obligations."
- The budget reserve set-aside balance of \$47,142 was reported as "Restricted for Other Purposes" instead of "Unassigned" in the General Fund. The Board never designated this money, therefore it should be reported as "unassigned" according to GASB 54;
- The \$100,000 fund balance for the Frances Graham Library Fund was reported as "Non-spendable" instead of "Committed for Library Resources" in the Other Governmental Funds. The Will governing the donation was not able to be located, therefore the governing board's designation of the Fund's establishment and use should be used to determine the classification of the fund balance under GASB 54;
- The disbursements reported on the Statement of Activities were not classified in the same manner as the disbursement totals on the Statement of Cash Receipts, Disbursements and Changes in Modified Cash Fund Balances. "Refund of Prior Year Receipts" in the amount of \$8,112 and \$6,544 were presented for the General Fund and Other Governmental funds, respectively, on the Statement of Cash Receipts, Disbursements and Changes in Modified Cash Fund Balances. However, they were reported as "Regular Instruction" and "Special Instruction," respectively, on the Statement of Activities. "Operation and Maintenance of Plant" disbursements on the Statement of Activities were overstated by \$438,374, "Capital Outlay" was understated by \$431,172 and "Extracurricular" disbursements were understated by \$7,202 as compared to the balances on the Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Balances. Adjustments were made accordingly in order for the statements to agree;
- The Unrestricted Net Assets on the Statement of Net Assets were overstated by \$1,513,177 and Restricted Net Assets were understated by \$1,513,177. The balances for the following items were included as unrestricted instead of restricted: textbook set-aside balance, bus purchase reserve balance, termination benefit balance, liability self insurance balance, extracurricular activity fund balances, and scholarships fund balance;
- A negative expense in the amount of \$215 was reported as "vocational" expenses in the General Fund on the Statement of Cash Receipts, Expenses and Changes in Fund Balance, on the Statement of Activities, and on the General Fund Budget versus actual statement. An adjustment was made to report this negative as miscellaneous revenue;
- The General Fund budgetary statement actual Extracurricular Revenues were overstated by \$72,754 and tuition and fees revenue was understated by \$72,754; and
- The General Fund actual non-instructional services expenses were overstated by \$109,364 and actual regular instruction expenses and special instruction expenses were understated by \$108,910 and \$454, respectively.

The accompanying financial statements have been adjusted to correct these errors

**FINDING NUMBER 2011-01
(Continued)**

The failure to correctly classify financial activity may impact a user's understanding of the financial operations, and may result in the material misstatement of the financial statements.

The annual financial statements should be reviewed for errors prior to filing with the Auditor of State. To aid in these reviews, the Treasurer should review the Uniform School Accounting System User Manual, Auditor of State Bulletins, Governmental Accounting Standard Board (GASB) statements, and other resources such as those provided on the Auditor of State website.

OFFICIAL'S RESPONSE:

The School District does have procedures and controls in place to correctly record financial transactions and effectively manage resources. We will implement these adjustments to our financial statement reporting going forward.

FINDING NUMBER 2011-02

Noncompliance Citation

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 Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles. However, the School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures 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 its financial statements according to generally accepted accounting principles to provide any user with more meaningful and useful financial statements.

OFFICIAL'S RESPONSE:

The School District acknowledges this requirement but will continue to report on the modified cash basis in order to save resources for the School District

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2011-03
CFDA Title and Number	ARRA -Special Education Grants to States, Recovery Act CFDA # 84.389
Federal Award Number / Year	2011
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation / Questioned Costs / Significant Deficiency

2 CFR Part 225, Appendix B subsection 8.a. provides, in part, that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits.

During fiscal year 2011, there was a new teacher’s position added to the special education group. The teacher’s salary was paid from the ARRA Special Education Grants to States, Recovery Act Grant. This teacher then retired effective June 1, 2011, and received a severance payment of \$21,089, for sick days which had accumulated over her career. The severance payment was paid fully from the ARRA Special Education Grants to States, Recovery Act Grant.

This employee’s salary had been paid from the General Fund prior to fiscal year 2011; therefore, only the amount of sick leave accrued less used during fiscal year 2011, would be allowable to be paid from the ARRA Special Education Grants to States, Recovery Act Grant. This employee accrued fifteen days and used twelve days in fiscal year 2011, leaving only three days as allowable severance to be paid from the ARRA Special Education Grants to States, Recovery Act Grant, in the amount of \$1,012.

Based on the facts documented above, questioned costs in the amount of \$20,077 are being issued. The School District has subsequently issued a memo entry in fiscal year 2012 to correct this error and remove this expenditure from the ARRA Special Education Grants to States, Recovery Act Grant Fund and charge this amount to the General Fund.

The failure to charge to a federal grant only those expenditures that are allowable costs in accordance with established cost principles may result in a material amount of the grant being illegally expended.

Prior to charging expenditures to a grant, the School District should review the grant agreement, the allowable costs/cost principles, and possibly consult with the grantor agency to help assure that the expenditures are considered allowable costs.

OFFICIAL’S RESPONSE:

The School District did consult with the grantor agency before expending the grant funds on severance costs, and was told it was allowable. However, at the time we did not understand that it is “allowable” only using an indirect cost calculation. Subsequently, adjusting entries were made to reimburse the ARRA Special Education Grant and apply the costs in question to the General Fund.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failure to prepare financial statements in accordance with Generally Accepted Accounting Principles.	No	Repeated as finding 2011-02.
2010-02	34 CFR 80.20 (b)(7) – Failure to comply with cash management requirements for the SFSF grant.	Yes	
2010-03	OMB Circular A-133, Subpart C, Section 300(d) – Grant receipts and expenditures for the non-cash assistance (food distribution) received for the School Breakfast and National School Lunch program were not included on the federal schedule.	Yes	

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR END JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-03	Necessary corrections will be made to the accounting system to be in compliance.	Already complete	Annette Morman, Treasurer



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Bath Local School District
Allen County
2650 Bible Road
Lima, Ohio 45801

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Bath Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 19, 2011, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 12, 2012

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Dave Yost • Auditor of State

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 17, 2012**