



Dave Yost • Auditor of State

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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Dave Yost • Auditor of State

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, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 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, 2010, and the respective changes in cash financial position and budgetary comparison for the General Fund for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2011, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditure is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was 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.



Dave Yost
Auditor of State

March 15, 2011

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

The discussion and analysis of Bath Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the modified cash basis of accounting. 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 2010 are as follows:

- In total, net assets increased \$889,310, or 6 percent, indicating a significant change from the prior fiscal year. The increase in net assets was partly due to the receipt of debt proceeds and property tax revenues in the Capital Projects Fund along with not fully spending these receipts. General receipts accounted for \$16,444,556, or 87 percent of all receipts, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.
- The School District's personal property tax valuation is decreasing because of changes to state law that are phasing out personal property tax. In June 2005, H.B. 66 was passed. H.B. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. At the same time, the bill replaces the cash receipts lost due to phasing out the tax. In the first five years (2006-2010), school districts and local governments are reimbursed fully for lost cash receipts. In the following seven years (2011-2018) the reimbursements are phased out. H.B. 1 extended the hold harmless period, which means the District will get full reimbursement through FY 2013, and then the phase-out begins August 2013.
- FY 2010 is the seventh 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, 2010
(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 2010 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. Non-financial 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 - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2010 and 2009 on the modified cash basis of accounting. A comparative analysis is provided for government-wide financial statements using the modified cash basis of accounting.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

**Table 1
Net Assets**

	Governmental Activities	
	2010	2009
Assets:		
Cash and Cash Equivalents	\$ 2,087,445	\$ 1,880,030
Investments	13,146,783	12,464,888
Total Assets	<u>15,234,228</u>	<u>14,344,918</u>
Net Assets:		
Restricted	3,735,208	2,317,555
Unrestricted	11,499,020	12,027,363
Total Net Assets	<u>\$15,234,228</u>	<u>\$14,344,918</u>

Table 2 reflects the changes in net assets for fiscal years 2010 and 2009. A comparative analysis of government-wide data is presented using the modified cash basis of accounting.

Table 2 – Change in Net Assets

	Governmental Activities	
	2010	2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 876,901	\$ 936,619
Operating Grants, Contributions, and Interest	1,605,962	999,185
Capital Grants and Contributions	23,000	37,138
Total Program Receipts	<u>2,505,863</u>	<u>1,972,942</u>
General Receipts:		
Property Taxes Levied for General Purposes	6,395,432	7,310,159
Property Taxes Levied for Permanent Improvements	500,254	611,018
Grants and Entitlements	8,421,414	8,070,401
Proceeds from Sale of Bonds	629,919	
Interest	317,320	347,246
Miscellaneous	180,217	187,777
Total General Receipts	<u>16,444,556</u>	<u>16,526,601</u>
Total Receipts	<u>18,950,419</u>	<u>18,499,543</u>
Disbursements:		
Instruction:		
Regular	7,683,226	7,051,453
Special	1,562,408	1,004,445
Vocational		1,156
Other	925,027	994,844

(Continued)

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

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

Disbursements: (Continued)	Governmental Activities	
	2010	2009
Support Services:		
Pupils	734,310	971,856
Instructional Staff	400,789	372,011
Board of Education	62,439	82,598
Administration	1,268,176	1,191,702
Fiscal	543,683	569,481
Operations and Maintenance of Plants	2,143,657	2,381,081
Pupil Transportation	917,515	942,735
Central	160,376	156,059
Non-Instructional Services	859,841	856,474
Extracurricular Activities	728,867	728,238
Capital Outlay	27,975	19,514
Debt Service:		
Principal Retirement	22,376	21,268
Interest and Fiscal Charges	20,444	17,791
Total Disbursements	18,061,109	17,362,706
Excess Receipts before Transfers	889,310	1,136,837
Transfers		4,709
Increase in Net Assets	\$ 889,310	\$1,141,546

Program receipts account for over 13 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 56 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 79 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.

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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Instruction:				
Regular	\$ 7,683,226	\$ 7,051,453	\$ 7,176,264	\$ 6,733,638
Special	1,562,408	1,004,445	678,608	467,452
Vocational		1,156		1,156
Other	925,027	994,844	925,027	994,844
Support Services:				
Pupils	734,310	971,856	734,310	971,856
Instructional Staff	400,789	372,011	400,789	372,011
Board of Education	62,439	82,598	62,439	82,598
Administration	1,268,176	1,191,702	1,263,176	1,186,193
Fiscal	543,683	569,481	543,683	569,481
Operation and Maintenance of Plant	2,143,657	2,381,081	2,143,657	2,381,081
Pupil Transportation	917,515	942,735	905,515	915,845
Central	160,376	156,059	160,376	153,629
Non-Instructional Services	859,841	856,474	(2,954)	(11,972)
Extracurricular Activities	728,867	728,238	493,561	513,379
Capital Outlay	27,975	19,514	27,975	19,514
Debt Service	42,820	39,059	42,820	39,059
Total Disbursements	\$18,061,109	\$17,362,706	\$15,555,246	\$15,389,764

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 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-two 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 86 percent. It is apparent that the community, as a whole, is the primary support for Bath Local School District students.

The School District's Funds

Total governmental funds had cash receipts of \$19,242,147 and disbursements of \$18,352,837. The positive change of \$889,310 in fund balance for the year indicates that the School District was able to meet current costs.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 2010, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$14,782,900, were below actual receipts of \$14,882,329. The \$99,429 increase is primarily due to increased intergovernmental receipts.

Final disbursements were budgeted at \$15,022,164 while actual disbursements were \$14,922,570. The School District was able to restrict spending below what was anticipated. The School District experienced lower other instruction, administration, and fiscal disbursements than expected. 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, 2010 is \$629,919 and principal balance on the sewer improvement loan is \$296,361. For further information regarding the School District's debt see Note 11 to the basic financial statements.

Current Issues

The Board of Education is moving forward with plans to replace the 1936 elementary building. The estimated cost of the project is \$25,100,000 and will be an Expedited Local Partnership Program through the Ohio School Facilities Commission. The bond levy will be on the May 3, 2011 ballot.

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, 2010**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,145,374
Restricted Cash and Cash Equivalents	942,071
Investments	13,146,783
Total Assets	15,234,228
 Net Assets:	
Restricted For:	
Set Asides	941,616
Debt Service	3,418
Capital Projects	1,600,453
Other Purposes	1,076,140
School Bus Purchases	455
Library Materials:	
Expendable	13,126
Nonexpendable	100,000
Unrestricted	11,499,020
Total Net Assets	\$15,234,228

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Cash</u>	<u>Program Receipts</u>		<u>Net (Disbursements)</u>
		<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>
		<u>Services</u>	<u>Contributions</u>	<u>in Net Assets</u>
		<u>and Sales</u>	<u>and Interest</u>	<u>Governmental</u>
			<u>Capital</u>	<u>Activities</u>
			<u>Grants and</u>	
			<u>Contributions</u>	
Governmental Activities:				
Instructions:				
Regular	\$7,683,226	\$147,749	\$359,213	(\$7,176,264)
Special	1,562,408	11,948	871,852	(678,608)
Other	925,027			(925,027)
Support Services:				
Pupils	734,310			(734,310)
Instructional Staff	400,789			(400,789)
Board of Education	62,439			(62,439)
Administration	1,268,176		5,000	(1,263,176)
Fiscal	543,683			(543,683)
Operation and Maintenance of Plant	2,143,657			(2,143,657)
Pupil Transportation	917,515		12,000	(905,515)
Central	160,376			(160,376)
Non-Instructional Services	859,841	504,898	357,897	2,954
Extracurricular Activities	728,867	212,306		(493,561)
Capital Outlay	27,975			(27,975)
Debt Service:				
Principal Retirement	22,376			(22,376)
Interest and Fiscal Charges	20,444			(20,444)
Total Governmental Activities	\$18,061,109	\$876,901	\$1,605,962	\$23,000
				(15,555,246)
General Receipts:				
Property Taxes Levied for General Purposes				6,395,432
Property Taxes Levied for Permanent Improvements				500,254
Grants and Entitlements not Restricted to Specific Programs				8,421,414
Proceeds from Sale of Bonds				629,919
Interest				317,320
Miscellaneous				180,217
Total General Receipts				16,444,556
Change in Net Assets				889,310
Net Assets Beginning of Year				14,344,918
Net Assets End of Year				\$15,234,228

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,125,414	\$19,960	\$1,145,374
Restricted Cash and Cash Equivalents	942,071		942,071
Investments	10,373,606	2,773,177	13,146,783
Total Assets	<u>12,441,091</u>	<u>2,793,137</u>	<u>15,234,228</u>
Fund Balances:			
Reserved:			
Textbooks	894,474		894,474
Budget Stabilization	47,142		47,142
Encumbrances	223,679	711,112	934,791
Bus Purchases	455		455
Unreserved:			
Designated for Budget Stabilization	888,000		888,000
Undesignated, Reported in:			
General Fund	10,387,341		10,387,341
Special Revenue Funds		1,040,446	1,040,446
Debt Service Fund		3,418	3,418
Capital Projects Funds		925,035	925,035
Permanent Fund		113,126	113,126
Total Fund Balances	<u>\$12,441,091</u>	<u>\$2,793,137</u>	<u>\$15,234,228</u>

See accompanying notes to the basic 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, 2010**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:			
Property Taxes	\$6,395,432	\$500,254	\$6,895,686
Intergovernmental	7,213,858	1,927,923	9,141,781
Interest	286,934	30,386	317,320
Tuition and Fees	971,629	74,450	1,046,079
Extracurricular Activities		212,305	212,305
Charges for Services		504,898	504,898
Rentals	160	2,240	2,400
Miscellaneous	13,628	183,509	197,137
Total Receipts	<u>14,881,641</u>	<u>3,435,965</u>	<u>18,317,606</u>
Disbursements:			
Current:			
Instruction:			
Regular	7,087,843	594,740	7,682,583
Special	1,011,478	550,930	1,562,408
Other	906,877	18,150	925,027
Support Services			
Pupils	667,410	66,900	734,310
Instructional Staff	232,215	168,574	400,789
Board of Education	62,439		62,439
Administration	1,153,117	115,059	1,268,176
Fiscal	517,926	25,757	543,683
Business			
Operation and Maintenance of Plant	1,657,907	485,750	2,143,657
Pupil Transportation	770,654	146,861	917,515
Central	158,165	2,211	160,376
Non-Instructional Services		859,841	859,841
Extracurricular Activities	390,494	338,373	728,867
Capital Outlay	13,683	14,292	27,975
Debt Service:			
Principal Retirement		22,376	22,376
Interest and Fiscal Charges	3,755	16,689	20,444
Total Disbursements	<u>14,633,963</u>	<u>3,426,503</u>	<u>18,060,466</u>
Excess of Receipts Over (Under) Disbursements	<u>247,678</u>	<u>9,462</u>	<u>257,140</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	688	2,206	2,894
Refund of Prior Year Receipts		(643)	(643)
Sale of Bonds		629,919	629,919
Advances In	111,400	115,400	226,800
Advances Out	(115,400)	(111,400)	(226,800)
Transfers In		64,928	64,928
Transfers Out	(64,928)		(64,928)
Total Other Financing Sources (Uses)	<u>(68,240)</u>	<u>700,410</u>	<u>632,170</u>
Net Change in Fund Balances	179,438	709,872	889,310
Fund Balances Beginning of Year	12,261,653	2,083,265	14,344,918
Fund Balances End of Year	<u>\$12,441,091</u>	<u>\$2,793,137</u>	<u>\$15,234,228</u>

See accompanying notes to the basic 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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts:				
Property Taxes	\$6,394,000	\$6,394,000	\$6,395,432	\$1,432
Intergovernmental	7,141,000	7,141,000	7,213,858	72,858
Interest	284,000	268,000	286,934	18,934
Tuition and Fees	969,000	969,000	971,629	2,629
Miscellaneous	10,900	10,900	13,788	2,888
Total Receipts	<u>14,798,900</u>	<u>14,782,900</u>	<u>14,881,641</u>	<u>98,741</u>
Disbursements:				
Current:				
Instruction:				
Regular	6,963,944	7,184,044	7,123,070	60,974
Special	756,000	1,025,700	1,025,478	222
Vocational	700	700	(263)	963
Other	1,026,800	908,800	907,140	1,660
Support Services:				
Pupils	954,295	671,445	668,289	3,156
Instructional Staff	227,098	237,148	233,495	3,653
Board of Education	82,078	87,378	82,727	4,651
Administration	1,121,978	1,168,278	1,159,625	8,653
Fiscal	576,575	540,675	534,924	5,751
Operation and Maintenance of Plant	1,719,244	1,735,144	1,733,936	1,208
Pupil Transportation	833,397	822,297	802,122	20,175
Central	159,300	159,300	158,165	1,135
Extracurricular Activities	386,600	392,500	391,496	1,004
Capital Outlay		20,000	33,683	(13,683)
Debt Service:				
Interest and Fiscal Charges		3,755	3,755	
Total Disbursements	<u>14,808,009</u>	<u>14,957,164</u>	<u>14,857,642</u>	<u>99,522</u>
Excess of Receipts Under Disbursements	<u>(9,109)</u>	<u>(174,264)</u>	<u>23,999</u>	<u>198,263</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			688	688
Advances In			111,400	111,400
Advances Out			(115,400)	(115,400)
Transfers Out	(62,000)	(65,000)	(64,928)	72
Total Other Financing Sources (Uses)	<u>(62,000)</u>	<u>(65,000)</u>	<u>(68,240)</u>	<u>(3,240)</u>
Net Change in Fund Balance	(71,109)	(239,264)	(44,241)	195,023
Fund Balance at Beginning of Year	12,050,020	12,050,020	12,050,020	
Prior Year Encumbrances Appropriated	211,633	211,633	211,633	
Fund Balance at End of Year	<u>\$12,190,544</u>	<u>\$12,022,389</u>	<u>\$12,217,412</u>	<u>\$195,023</u>

See accompanying notes to the basic financial statements.

BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$21,756</u>	<u>\$9,713</u>
Net Assets:		
Unrestricted	<u>\$21,756</u>	<u>\$9,713</u>

See accompanying notes to the basic financial statements.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$350
Gifts and Donations	3,507
Total Additions	<u>3,857</u>
Deductions:	
Scholarships	<u>1,500</u>
Change in Net Assets	2,357
Net Assets at Beginning of Year	<u>19,399</u>
Net Assets at End of Year	<u><u>\$21,756</u></u>

See accompanying notes to the basic financial statements.

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**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

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 seventy-three classified employees and one hundred twenty certified personnel who provide services to 1,996 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

A. 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 Career Center; 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/Sheakley Worker's Compensation Group Rating Program. These organizations are presented in Notes 13 and 14 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
JUNE 30, 2010
(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
JUNE 30, 2010
(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
JUNE 30, 2010
(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 2010, investments were limited to federal bonds, US Treasury Notes, money market funds, STAR Ohio and certificates of deposit through the CDARS program. Investments are reported at cost except for money market funds and STAR Ohio. The School District's money market funds are recorded at the amount reported by the holding bank or investment company at June 30, 2010. 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, 2010. 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 2010 was \$286,934 which includes \$2,869 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, budget stabilization, 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

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

L. Fund Balance Reserves

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

The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in cash receipts and expenditures and consists of the unspent portion of certain workers' compensation refunds.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a 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 can be fined and various other administrative remedies may be taken against the School District.

4. 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 Changes in Fund Balance – Budget and Actual – Budget 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 (budget basis) amount to \$223,679 in the General Fund.

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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
JUNE 30, 2010
(Continued)**

5. 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 \$2,118,814 and the bank balance was \$2,197,488. Of the bank balance, \$838,869 was covered by federal depository insurance and \$1,358,619 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 6-30-10	% of Total Investment	0-1 Year	1-5 Years
Fed Farm Credit Bank Bonds	\$ 567,914	4.30%	\$ 567,914	
Fed Home Loan Mtg. Bonds	339,000	2.50%	339,000	
Fed Home Loan Bank Bonds	1,525,399	11.60%	1,525,399	
Fed National Mtg. Bonds	754,046	5.70%	602,521	\$ 151,525
US Treasury Note	4,314,865	32.80%		4,314,865
STAR Ohio	1,632,961	12.40%	1,632,961	
CDARS	4,012,598	30.70%	4,012,598	
Totals	\$13,146,783	100.00%	\$8,680,393	\$4,466,390

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 purchases 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."

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

The School District's investments at June 30, 2010, 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. 88% of the District's investments are in Federal Bonds and US Treasuries, as well as CDARS. These investments are 58% and 30%, respectively of the District's total investments for the amounts listed above.

6. 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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) 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. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

6. PROPERTY TAXES (Continued)

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

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$149,025,800	66.15%	\$148,483,950	64.02%
Industrial/Commercial	57,692,280	25.61	63,648,420	27.44
Utility Real	252,110	.11	281,430	.12
Utility Personal	18,304,650	8.13	19,519,080	8.42
Total Assessed Value	<u>\$225,274,840</u>	<u>100.00%</u>	<u>\$231,932,880</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation:				
Personal Property				\$34.10
Agricultural/Residential				32.86
Industrial/Commercial				33.77

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$39,310,200
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 2010, the School District participated in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 14). 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 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
JUNE 30, 2010
(Continued)**

8. 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.us.

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. 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, 2010, 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, 2010, 2009, and 2008 was \$959,225, \$932,412, and \$903,600, respectively; 89 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008. Contribution to the DC and Combined Plans for fiscal year 2010 were \$28,071 made by the School District and \$20,051 were made by the plan members.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

8. 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 pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, OH 43215-3746. It is also posted on the SERS' Ohio website, 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 at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for FY 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$273,575, \$310,536, and \$298,284, respectively; 44 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

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 State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple employer defined 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.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

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 2010, 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 fiscal years ended June 30, 2010, 2009, and 2008 were \$73,787, \$71,724, \$69,508, respectively; 89 percent contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care fund and Medicare B Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$32,258.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$9,847, \$142,115, \$136,117, respectively; 44 percent has been contributed for fiscal year 2010, and 100 percent for 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal year ended June 30, 2010, 2009, and 2008 were \$16,269, \$25,621, \$21,492 respectively, 44 has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

10. 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.

11. DEBT OBLIGATIONS

At June 30, 2010, 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 6/30/2009	Additions	Deductions	Principal Outstanding 6/30/2010
Sewer Improve Loan	\$318,737		(\$22,376)	\$296,361
General Obligation Bonds		\$629,919		629,919
TOTAL	\$318,737	\$629,919	(\$22,376)	\$926,280

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2010, are as follows:

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)**

11. DEBT OBLIGATIONS (Continued)

Fiscal Year Ending	Sewer Improvements Project Loan		General Obligation Bonds		Total Due
	Principal	Interest	Principal	Interest	
2011	\$23,484	\$15,489	\$ 39,919	\$11,284	\$ 90,176
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
2016-2020	166,398	27,399	210,000	30,803	434,600
2021-2025			225,000	10,406	235,406
Totals	<u>\$296,361</u>	<u>\$92,041</u>	<u>\$629,919</u>	<u>\$90,557</u>	<u>\$1,108,878</u>

12. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2010, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following table identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2010.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Carryover Balance June 30, 2009	\$800,929		\$47,142
Required Set-Aside	307,220	\$307,220	
Qualifying Offsets		(307,220)	
Qualifying Expenditures	(213,675)		
Total	<u>894,474</u>		<u>47,142</u>
Balance Carried Forward to Subsequent Year	<u>\$894,474</u>		<u>\$47,142</u>

13. 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 2010, the School District paid \$49,614 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
JUNE 30, 2010
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Apollo Career Center

The Apollo Career Center (Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Center 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 Career Center, Greg Bukowski, who serves as Treasurer, 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.

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.

14. 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
JUNE 30, 2010
(Continued)**

14. 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 Karla Wireman, who serves as Treasurer, at 1920 Slabtown Road, Lima, Ohio 45801.

B. OASBO/Sheakley 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.

15. 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, 2010.

B. Litigation

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

16. INTERFUND TRANSFERS

During fiscal year 2010, the School District transferred \$64,928 from the General Fund to the Education Management Info System Fund.

17. INTERFUND ADVANCES

During fiscal year 2010, the School District made advance between funds as follows:

	<u>Advances-In</u>	<u>Advances-Out</u>
Governmental:		
General Fund	\$111,400	\$115,400
All Other Governmental Funds	115,400	111,400
Total Governmental	<u>\$226,800</u>	<u>\$226,800</u>

Of the total advanced during fiscal year 2010, \$4,000 is yet to be repaid from the RECAL Fund to the General Fund. All other advances from the General Fund were used to cover general operations of grant funds and were repaid during the fiscal year. The remaining \$4,000 advance is intended to be repaid in the subsequent fiscal year.

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**BATH LOCAL CITY SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non Cash Receipts	Expenditures	Non Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non -Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$3,763		\$3,763
National School Lunch Program	10.555		127,560		127,560
Total Non-Cash Assistance			<u>131,323</u>		<u>131,323</u>
Cash Assistance:					
School Breakfast Program	10.553	\$49,593		\$49,593	
National School Lunch Program	10.555	299,812		299,812	
Total Cash Assistance		<u>349,405</u>		<u>349,405</u>	
Total Child Nutrition Cluster		<u>349,405</u>	<u>131,323</u>	<u>349,405</u>	<u>131,323</u>
Total U.S. Department of Agriculture		<u>349,405</u>	<u>131,323</u>	<u>349,405</u>	<u>131,323</u>
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I Cluster:					
Title I, Grants to Local Educational Agencies	84.010	243,332		235,428	
ARRA - Title I, Grants to Local Educational Agencies - Recovery Act	84.389	92,200		78,223	
Total Title I Cluster		<u>335,532</u>		<u>313,651</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	363,030		353,204	
ARRA - Special Education Grants to States - Recovery Act	84.391	171,009		154,099	
Total Special Education Cluster		<u>534,039</u>		<u>507,303</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	5,063		5,018	
Education Technology State Grants	84.318	2,281		2,281	
Improving Teacher Quality State Grants	84.367	70,797		72,668	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	276,172		233,862	
Total U.S. Department of Education		<u>1,223,884</u>		<u>1,134,783</u>	
Total Federal Assistance		<u>\$1,573,289</u>	<u>\$131,323</u>	<u>\$1,484,188</u>	<u>\$131,323</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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) 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.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The schedule does not include the expenditure of non-Federal matching funds.



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, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2011, wherein we noted the School District used a comprehensive basis of accounting other than generally accepted accounting principles. 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 opinions 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

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 as item 2010-01.

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

We intend this report solely for the information and use of management, the 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 15, 2011



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, Allen County (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 the School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings 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 express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 those 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 District's compliance with those requirements.

As described in finding 2010-02 in the accompanying schedule of findings, the School District did not comply with requirements regarding *cash management* applicable to its ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2010.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-03.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2010-02 and 2010-03 to be material weaknesses.

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

We intend this report solely for the information and use of the 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 15, 2011

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<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)?	No
<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?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States – CFDA #84.027 ARRA -Special Education Grants to States – Recovery Act – CFDA #84.391 Title I – Grants to Local Educational Agencies – CDFA #84.010 ARRA - Title I – Grants to Local Educational Agencies – Recovery Act – CFDA #84.389 ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants- CFDA#84.394
<i>0(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?	Yes

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

FINDING NUMBER 2010-001

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

To help provide the users with more meaningful financial statements, the School District should prepare their financial statements according to generally accepted accounting principles.

OFFICIALS' RESPONSE: The School District acknowledges this requirement but will continue to report on the modified cash basis in order to save financial resources for the District.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2010-02
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants CFDA #84.394
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation / Material Weakness

34 CFR 80.20 (b)(7) requires that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements.

**FINDING NUMBER 2010-02
 (Continued)**

The School District received advance payments of ARRA State Fiscal Stabilization Funds (SFSF) from the Ohio Department of Education (ODE) via the State Foundation Settlement Sheet. During the year, the School accumulated a positive cash balance in the SFSF Fund due to the School not spending the cash received in a timely manner. At June 30, 2010, the unspent balance of the SFSF Fund was \$42,310.

The failure to spend federal grants in a timely manner could result in the School District being required to return funding to the grantor agency. The loss of federal grant money could negatively impact the operations of the School District.

The School District should implement procedures to help assure that the balances of federal grant funds are spent in a timely manner.

OFFICIALS' RESPONSE: The SFSF monies are distributed to the School District on the foundation payment schedule. Unlike other federal grants, project cash requests are not used, so the School District has no control on when funds are received.

Finding Number	2010-03
CFDA Title and Number	Non-cash Assistance (Food Distribution) School Breakfast Program CFDA #10.533 and National School Lunch Program CFDA #10.555
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation/Material Weakness

OMB Circular A-133, Subpart C, Section 300(d), states that the School District shall prepare appropriate financial statements, including the schedule of federal awards receipts and expenditures for the period covered by the School District's financial statements. Additionally, Section 310(b) requires that the schedule of expenditures shall include, as applicable, the CFDA title and number, award number and year, name of federal agency, and name of pass-through agency. The School District prepared a schedule of federal awards receipts and expenditures (the Schedule), but did not present the grant receipts and expenditures for the Non-cash assistance (food distribution) received for the School Breakfast Program and National School Lunch Program. As a result, total receipts and expenditures were understated by \$131,322 on the School District's Schedule. The accompanying Schedule of Federal Receipts and Expenditures has been adjusted to include the donated commodities.

The failure to include all grant activity on the Schedule not can result in the material misstatement of the Schedule but may also result in follow-up action being taken by the grantor agency.

Procedures should be implemented to help assure that the Schedule includes the activity of all federal grants that benefited the School District.

OFFICIALS' RESPONSE: The District was not aware of the requirement to include commodities on the Schedule of Federal Assistance.

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	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 2010-01

**BATH LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-002	In order to reduce the SFSF cash balance the School District will begin to charge more teacher salaries and fringe benefits to 532 so the funds are expended by June 30.	As soon as possible	Annette Morman, Treasurer
2010-003	The Schedule will include commodities for breakfast and lunch for FY 2011.	As soon as possible	Annette Morman, Treasurer

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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 12, 2011**